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ABSTRACT

These hearings before the Senate Select Committee on Nutrition and Human Needs are organized in several parts, of which this document is the first. These hearings begin with opening statements by a number of Senators. Following these, presentations are made by such witnesses as the following: Rev. Jesse Jackson, national director, Operation Breadbasket, Southern Christian Leadership Conference; Hon. John V. Lindsay, mayor of New York City, N.Y., accompanied by Commissioner Mitchell Ginsberg, administrator, Human Resources Administration, New York, N.Y.; Hon. Peter Flaherty, mayor of the city of Pittsburgh, Pa.; Prof. Alvin L. Schorr, professor of social policy, Brandeis University, Waltham, Mass.; Dr. George A. Wiley, executive director, National Welfare Rights Organization, accompanied by Mrs. Jeanette Washington, member of the executive committee; Robert Harris, executive director, Commission on Income Maintenance Programs; Hcn. John G. Veneman, Under Secretary, Department of Health, Education, and Welfare, accompanied by Robert Patricelli, Deputy Assistant, Secretary for Interdepartmental Affairs; and others. Appended to these presentations are miscellaneous articles, publications, and tables relating to Aid to Families of Dependent Children, the Family Assistance Act of 1970, and the status of the Ten-State National Nutrition Survey. (JM)

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NUTRITION AND HUMAN NEEDS—1970

HEARINGS

BEFORE THE

SELECT COMMITTEE ON
NUTRITION AND HUMAN NEEDS

OF THE

UNITED STATES SENATE

NINETY-FIRST CONGRESS
SECOND SESSION
ON
NUTRITION AND HUMAN NEEDS

PART 1—HUNGER AND THE INCOME GAP

WASHINGTON, D.C., MARCH 2, 3, 4, AND 6, 1970

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NUTRITION AND HUMAN NEEDS

MONDAY, MARCH 2, 1970

U.S. SENATE,
SELECT COMMITTEE ON NUTRITION AND HUMAN NEEDS,
Washington, D.C.

The committee met at 10 a.m., pursuant to call, in room G–308, New Senate Office Building, Senator George S. McGovern (chairman of the committee) presiding.

Present: Senators McGovern, Percy, and Dole.

Also present: William C. Smith, general counsel and staff director; Gerald S. J. Cassidy, professional staff member; and Clarence V. McKee, professional staff member for the minority.

OPENING STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA, CHAIRMAN OF THE COMMITTEE

Senator McGOVERN. The committee will be in order.

Before we open our first hearings this year, I would like to take this opportunity to thank each member of the select committee for his contribution to our work over the past year.

When we met for the first time on December 17, 1968, we faced a situation where the country was largely ignorant of the problem of hunger and malnutrition.

This ignorance was reflected in a total food aid budget for that year of barely $650 million, less than 15 percent of the amount needed to put an end to hunger and malnutrition in this country.

COMMITTEE PLAYED DECISIVE ROLE

Today, 1 year later, that $650 million figure has jumped to $1.9 billion. Taking nothing away from the administration, I must say that I think the bipartisan efforts of the members of this committee in bringing the problems of hunger before the American people played a decisive role in that dramatic 300 percent jump in our commitment to the battle against hunger.

I would like to remind the members of the committee of the historic food stamp bill that was passed in the Senate in September of last year, and then more recently in this session the modified Talmadge school lunch bill, those two measures providing much of what we need in the way of legislative authority to put an end to hunger in this country.

A BROAD MANDATE

The original resolution establishing the select committee charged us with recommending a coordinated program which will assure every U.S. resident adequate food, medical assistance, and other related basic necessity of life and health.

Toward this end, we have spent our first year examining the immediate food needs of the American people, and the adequacy of our public and private system for delivering the food to meet those needs.

As I have said, the 300 percent jump in aid over the past year was largely the result of our studies. But I think we would all agree that another result of our work over the past year has been a growing recognition that the President was right when he said last May that millions of Americans are simply too poor to feed their families properly.

Commodities, food stamps, and free school lunches are all important, but in the last analysis they are all measures of our failure to enable 25 million of our fellow citizens to obtain the income they need to meet even their most basic human need, the need for food.

I think it is a reflection on our country that we alone among the advanced nations of the world find it necessary to hand out packages of food and food stamps just to keep some of our citizens from hunger and starvation.

Certainly, stamps are better than hunger, but they are not an acceptable substitute for a good job and a living income.

Americans, all Americans, rich and poor alike, are a proud people. They do not relish handouts of food, stamps, or even cash. What they want, in my opinion, is a chance to join the rest of the country in the ability to earn their own way.

A coordinated program to assure every U.S. resident the basic necessity of life must include provisions that will give them this chance to escape from poverty and the dole and earn their own way as productive participants in our economy.

There are a number of income assurance programs now pending before the Congress. Each claims that it will insure adequate income for those unable to work while at the same time encouraging those who are able to work to do so. Each also claims to deal effectively with the complexitites and glaring inequities of the present welfare system.

The purpose of this week's hearings on hunger and the income gap is to acquaint this committee and the Nation with these various proposals designed to close the income gap and thus put a final end to hunger and poverty.

WHAT IS ADEQUATE INCOME?

We will be seeking answers to such questions as what, given today's soaring prices, is an adequate income; how can the costly, humiliating welfare investigation be eliminated; what is the most effective way of providing better jobs for the majority of our poor who already work or seek work; and how many Americans would need to receive welfare payments if we were doing the job we should be doing with our programs of preventing proverty in the first place.

Our first witness this week, the Reverend Jesse Jackson, is, in my opinion, uniquely qualified to speak on the ways in which we must move to meet the income needs of our citizens.

As director of Operation Breadbasket of the Southern Christian Leadership Conference, he has organized a most impressive feeding program for the hungry of Chicago, in his State of Illinois, and even a more massive drive to win jobs and incomes for his people.

He played an essential role in helping to build the public consensus that made possible the gains on the hunger front in the U.S. Senate in 1969 and the opening months of 1970.

He is a personal friend and a constituent of Senator Percy, a member of this committee.

I would like to call on Senator Percy to present our first witness at this time.

Senator PERCY. Thank you, Mr. Chairman.

Senator MCGOVERN. Reverend Jackson, maybe you could assume your place at the witness table.

Senator PERCY. Senator Dole also will have a statement to make.

STATEMENT OF HON. CHARLES H. PERCY, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Mr. Chairman, members of the committee:

I am very pleased to introduce Jesse Jackson, national director of Operation Breadbasket as our first witness.

He is well qualified to testify on the needs of the black community for a more comprehensive and uplifting income maintenance program.

I believe that since these are some of the initial hearings in this very important subject, he can contribute importantly to them. As you know, Mr. Chairman, I have felt very strongly that this committee, which has a charter to investigage nutrition and human needs, must look at all human needs.

HEALTH CARE FOR THE IMPOVERISHED

One of the greatest areas of need is health care. The disparity that exists between those with the adequate income and those who do not have adequate income to obtain health care is literally nothing less than scandalous. The United States of America, presumably the healthiest nation on earth, is one of the worst nations in providing health care for the impoverished.

There is the tremendous problem of providing treatment of those who have some income, enough so that they don't get, in Chicago terms, a green card, but who would have absolutely inadequate income should they be hit with some sort of a medical disaster.

I received last week a telegram from Dr. Andrew L. Thomas, chairman of the Health Division of Operation Breadbasket and president of the Cook County Division.

Dr. Thomas pointed out the crisis that we face in Chicago, where county hospitals, Cook County Hospital, had to close their doors and say, "We can take no one in at any time, day or night, unless they are critically ill, unless they are an emergency, virtually unless they are on a death bed."

Cook County Hospital, which has a staff of some 6,000 people, including the nursing school, and 2,500 beds, roughly, had only 15 beds available in the middle of one night when on an average night they have 60 cases for admission.

I visited Cook County Hospital yesterday as a result of this wire. I also visited the Martin Luther King Neighborhood Health Clinic on Saturday morning and met with their staff; Loyola Hospital, and met with their staff, and Evanston. But it was at Cook County yesterday afternoon that I had a grim picture of the inadequacy of health care.

Income will make up the difference between whether people can afford to get health care or not. Here the people don't have the income, and the hospital simply does not have the capacity to handle people.

From 11 p.m. Saturday night until 7 the next morning there were 22 births, 13 women in labor in one room.

In the medical unit yesterday afternoon, 65 patients, men and women in wards with one bathroom, no shower, and one bathtub.

In the United States of America, with the affluence we have in this country, to have unbearable conditions like this is intolerable. Now with medicare and medicaid, it is even worse from the standpoint of county hospitals.

Medicare and medicaid have provided adequate income or sufficiency of income for other hospitals out in the suburbs, out of the inner city areas, to now have enough income to attract away some of the better doctors from the county hospitals.

So we are facing even a more critical situation as a result of demands and programs which are rightfully aimed to take care of the aged and those in later years, but which leave the expectant mother, which leave the family with eight or nine children, with insufficient income to care for the basic medical needs hopelessly behind.

In surveys in the Martin Luther King Center, for instance, 50 percent of all the families that they have reached out to bring in are in need of medical attention. Here, physical and mental development are impaired. We talked with some of the health care people who have been trained in that center as to whether there is hunger and malnutrition in the community, and the stories that they tell would wring your heart. Right in an area where you should be able to deliver food, we have no emergency commodity food program in Chicago, and hungry people.

If you live in the suburbs of Cook County there is an emergency commodity food program. You can get a selection of 10 types of food if you live in the suburbs. But if you live in the city, you can't get food delivered to you.

At the bottom of the depression we were able to deliver food. We are able to deliver food in Vietnam, hot meals and hot breakfasts in any corner of Vietnam, but you can't deliver food to starving and hungry children in the city of Chicago today because city hall has said it is too expensive or we haven't the delivery system or it is too complicated to try.

I am very happy that we have a very knowledgeable man who has lived closely to this problem, who is dedicated to finding a solution within the system that we now have before us today. He has petitioned the State legislature. He has petitioned Congress.

He is here to see that we, as a legislative body, respond to these needs and hear what the needs are, and then to see that the system really works.

The system will last so long as it is responsible and responsive. It won't last in the form that we know it if it doesn't meet the human needs that we face in this country.

We certainly welcome you as a valued witness.

Senator McGOVERN. Senator Dole.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. First, I share the statements of both the chairman and Senator Percy and wish to make a brief statement of my own, Mr. Chairman.

The Select and Nonlegislative Committee on Nutrition and Human Needs is beginning a new series of hearings into the somewhat ambiguous area of the "hunger and the income gap."

Hopefully, the emphasis will be on matters over which this committee has jurisdiction. If we are to discuss nutrition and human needs, then this is the correct forum.

If we are to dissect the President's family assistance program and otherwise discuss, criticize, and debate S. 2986 or other related proposals, it would be well to adjourn in deference to the Committee on Finance before which the bill is pending.

Last year, this committee assumed jurisdiction over food stamp programs and school lunch programs, at least de facto jurisdiction.

During the debate on continuing the life of this committee, which continuation I supported, both the chairman and ranking Republican of the Agriculture Committee expressed their concern for what they viewed as significant overstepping of defined jurisdiction by the Nutrition and Human Needs Committee.

Now it would appear that the committee is moving on from the confines of agriculture jurisdiction to the broader realm of the Committee on Finance.

As long as we are in the Finance Committee's area, we might as well start on a new tax reform bill or have hearings on farm programs, the war in Vietnam, the space program, air pollution, or any other area of interest to this committee.

Mr. Chairman, we all recognize the gravity of malnutrition in this Nation. There is, as stated in the debate on this committee's continuation, much unfinished work which lies within the jurisdiction granted by the Senate.

Let us focus our attention on the problems that are really ours. But doing so, this committee can best fulfill its mandate and serve the American people.

Mr. Chairman, as a member of this committee now for some 13 or 14 months, I honestly believe we can do much in the area of oversight, in the area of duplication and effectiveness of programs, but it does seem that in our efforts to preempt or prejudge the work of other committees we are having hearings on the family assistance program before any hearings have been held by the Senate Committee on Finance, which has legislative jurisdiction.

It should be pointed out to the public that this is a select committee. We have no legislative power. We cannot report any bill from this committee.

If we are going to discuss specific legislation, the witnesses should come prepared to discuss that legislation, specifically and not in generalities.

I certainly share the views of both Senators present this morning but hope we would confine ourselves this year to areas over which the committee has stated jurisdiction and not proceed into areas that belong to other committees of Congress.

Senator McGOVERN. Let me just respond briefly to the comments of the Senator from Kansas. I want to read again the original resolution that created this committee. I am quoting now. The name of the committee is the Committee on Nutrition and Human Needs.

We have been charged under the terms of our authorizing resolution with "Recommending a coordinated program or programs which will assure every United States resident adequate food, medical assistance and other related basic necessities of life and health."

The Senator from Kansas is free to interpret that resolution as he wishes in terms of his own judgment. But it seems to me to be a broad mandate to this committee to look at the problems of medical care, to look at other related human needs as stated in the original resolution, and no one can look at those problems in any kind of coordinated sense, which we were asked to do under the resolution creating this committee, without considering the proposals that have been made to deal with the problems of lifting the income of the American people.

So it seems to me perfectly proper that this committee, in 1970, go on from a consideration of hunger and malnutrition, to which we directed our major effort in 1969, as Senator Percy has said, to look at such related problems as health and the income problems of our citizenry.

It seems perfectly proper that we begin this hearing this morning with a consideration of the theme of the income gap as it relates to hunger and human needs.

I am fully aware of the fact that this committee has no legislative power, but I think we demonstrated in 1969 and again in 1970 that we do have some capacity to influence the course of legislation in the U.S. Senate.

We did that with some effectiveness last fall on the food stamp bill. We did it again in 1970 on the school lunch program.

It would be my hope that we could influence the course of these programs that relate to the overall needs of the American people. That, I believe, is the function of this committee.

It is to look with some broader perspective than has been brought to bear on these problems heretofore by some of the standing committees in the Senate.

Senator Dole.

Senator DOLE. I supported the chairman in some of those efforts and, of course, have no quarrel with general hearings on the gap between income and proper maintenance, but it does appear to me that we are certainly upstaging the Finance Committee. They are charged with the responsibility of holding hearings on the income maintenance proposals. If we are going to become some super nonlegislative committee that goes to the floor each time another committee passes out some legislation that affects human needs or nutrition, then I don't know any limitations on the powers we have, that perhaps we ought to get into the space program, too.

Senator McGOVERN. I think the space program is doing very well without assistance from this committee.

Senator Dole. We talk about expenditures. If we could cut space expenditures, we would have more money for human needs.

In my own State of Kansas, many programs have been in existence 10, 15, or 20 years and are not working properly. We have duplication, we have schools in Kansas with no school lunch programs, we have some counties with no commodity or food stamp programs. I feel we ought to emphasize in this committee compliance with some of the ongoing programs instead of jumping immediately into some program that hasn't even been brought into existence.

Senator McGovern. Let me say just to the Senator, if I may, in response to that, that I don't think anyone intended that we would relax our efforts to press forward on monitoring the existing food assistance programs and trying to improve them. We haven't yet passed legislation in the House of Representatives, as the Senator knows, along the lines of the legislation passed in the Senate.

Certainly the fact that we have a jurisdiction that goes beyond the problems of hunger and malnutrition in no way implies that we are going to forget about hunger and malnutrition.

I would hope we would continue to make progress in that area, while we also turn to these other questions.

Let me just add one final point before I yield to Senator Percy. it is true that the Finance Committee has legislative jurisdiction over these income maintenance proposals.

I would assume that the Committee on Labor and Welfare also has some interest in this matter, and doubtless will be looking at it. It just so happens that one of the members of the Finance Committee will be before our committee on Wednesday testifying on a proposal that he has introduced in the Senate, Senator Fred Harris.

I don't think that we are setting up a dispute between this committee and other legislative committees in the Senate if we can serve a function from the broad perspective of this committee that will help build public interest and public consensus to enable our legislative committees to function more effectively.

Senator Percy.

Senator Percy. Mr. Chairman, I would like to yield to Reverend Jackson so he can get underway.

I think Senator Dole, who is a very valued member of this committee, constantly brings us down to the point and focuses our attention. I hope his preliminary comments, will help us focus on what our repnsibilities are. We don't want to duplicate work.

On the other hand, we have had so much testimony to the effect that food stamps really don't work. They are not the answer to the problem of poverty and hunger. This weekend people said they haven't got the money to buy food stamps. They run out of money. They get an allowance, for instance, that is way under the proper amount for rent. They have to pay rent or they are evicted. They have to pay certain other expenses. They end up without enough cash.

Others say they don't have a commodity food program. Many people have said it is degrading to use the stamps. It is humiliating sometimes. It sets them apart. Cash is a better way to combat this problem. That is, I think, where we can focus. It fits in and is germane if we keep it germane.

I think Senator Dole's comments will help us stay germane to our purpose and intent and not be a duplicative effort of the Senate Finance or House Ways and Means Committees.

STATEMENT OF REV. JESSE JACKSON, NATIONAL DIRECTOR, OPERATION BREADBASKET, SOUTHERN CHRISTIAN LEADERSHIP CONFERENCE

Senator McGOVERN. Reverend Jackson, we will be glad to hear from you now.

Reverend JACKSON. Thank you very much. I hope I won't be held in contempt before this committee for my preamble based upon my exposure to the political life of America.

While committees fiddle and debate the approach to the elimination of hunger, the hungry hurt, black and white, numerically more white than black.

COMMITTEE'S POWER TO EXPOSE HUNGER

I want to thank you because, in spite of your limited legislative powers, your tremendous power to expose hunger and to make the invisible visible has made itself manifest at the community level.

This affluent Nation could not believe before 2 years ago that it was one of the lowest in health care, and that 40 million were malnourished, 28 million of which were white, 12 million of which were black and other minority groups.

Of course, you have exposed this issue on behalf of the community that I relate to. I would like to express my gratitude.

Hunger is a hurting thing, for hunger maims and kills and throttles potential. It is the basic link between hunger and poverty that keeps this Nation from attaining the growth and the development that is possible, given its massive resources.

Moreover, that basic link keeps the poor locked in powerless frustration. The poor have been made the scapegoats for the imperfections and occasional sluggishness in the economy.

Rather than free the poor, we choose to filibuster about their condition. Thus, that condition does not improve. It worsens with time. Indeed, we persist in accusing the poor of being lazy, but the poor are not lazy. They are left out and laughed at. They are counted out and swindled of their birthright.

NATION'S ECONOMY MUST REACH EVERYONE

But they have been the backbone of the Nation's economy. Their labor was priced cheap but it was extremely valuable and, in fact, proved indispensable to the making of America.

Despite this fact, the Nation designs its welfare programs and even its language with the intention of shaming the poor out of their condition.

But when the poor view the Nation's surpluses over and against the rank starvation they face, they are not ashamed; they are angry. Their anger is compounded by a state of helplessness which simply deepens the distress of their condition.

We need to draw a program that will affirm that the poor will be poor no longer, poverty and hunger are unnecessary in this economy, and should be seen as a form of involuntary servitude which ought to be outlawed.

Instead, we have given ground for a conspiracy between hunger and the public policy to sustain institutional poverty. The conspiracy exists and it is time for the Nation to see its complicity in misery and despair at the expense of the helpless.

The truth is that the poor are not responsible for poverty or for the welfare system, which purports to deal with poverty by controlling the poor.

The welfare system was not designed by the poor. Welfare was necessary because of the greed of men at the top who were frightened at the Nation's economy and withheld their money.

Their manipulation of fiscal and monetary policy shut off the economy at its most vulnerable point, namely the base. Rather than develop a system to meet need, those in decisionmaking capacities established a way for covering their own greed.

It is evident that a nation cannot remain half poor and hungry and half free, no more than the house divided against itself can stand.

So a house or a nation divided against itself at the dinner table or at the wage table cannot and will not long endure.

Public welfare has institutionalized the house divided against itself. Ten full years after we had set the poverty standard in this Nation at $6,600, for a family of four in terms of standard of living, only two States have public assistance grants for families of the poor that exceed the $2,700 level.

There is uniformity in the draft system for killing, but not in the draft system for healing. Thus, when we condemn the poor for desiring handouts, we need to be reminded that handouts are all that they get and that their very survival is perverted to respond to and expect handouts, those whose pride and/or ingenuity lead them to secure more than the handouts are characterized as cheats and thieves and dealth with accordingly.

Today there are those who still debate the question what is poverty while their polemics become a growing body of rhetoric now shaped into a consensus of middle America dissatisfaction, the poor continue to languish in their condition.

According to the most conservative estimates there are 24.6 million nonaged poor persons, despite the fact that only 6 percent of them live in families headed by aged persons. Their condition is one of constantly negotiating desperation and economic marginality.

Some 42 percent of them worked full time for over 40 weeks in 1967, for instance. Yet they remain in poverty. Again, according to the Heineman report, drawn from the documents prepared by the Department of Health, Education, and Welfare, 58 percent of the working poor worked only part time during the year. Some 33 percent of the nonaged heads of poor families were faced with severe disability. Fifty percent or some 1.2 million poor families consisted of mothers with responsibilities for small children.

Less than 3 percent of the nonaged heads of poor families who choose not to work at all for the options of the poor are limited and costly. Nothing establishes this fact with greater clarity than the realization that poor people who work have found no guarantee of an escape from poverty.

The so-called move out of poverty has consisted in a torturous marching of time which shoves a person sideways without moving ahead.

Well over 25 percent of those who moved out of poverty in the 1960's moved only $500 beyond the poverty line; 8 percent moved only $200 beyond the poverty line.

Indeed, the other side of this tragedy is that the upward spiral of price indexes actually added at least 2 million people to poverty roles at the end of the 1960's, noted the Heineman report.

On education for the poor, the poor get some schooling but very little education. Their curriculum consists of the school of hard knocks where credits are earned through hard experience. Their fate is predetermined and their starved checks are always post-dated low income.

Over 25 percent of those with less than 8 years schooling earn less than $3,000 per year. The median income of family heads with less than 8 years of schooling is a full $8,000 less than those with college training.

In addition, the poor are called upon to enter schools that incarcerate them for life. The lives of the poor become a composite of anxiety and dollarless destitution, frozen into subsistence incomes.

Over 14 percent of urban families are poor. We saw these families on our last summer's hunger trip, whether in Rockford, Peoria, Decatur, Danville, Carbonville, or Cairo. More of them are white than black, and we were able to make them visible during the trek.

White poverty was made visible by the hunger trek we took this summer. We cannot say we found the people, for they were never lost, only mislaid or displaced by an economy that exploited their bodies and their labor and then discarded them.

Neither the press nor the people within the communities we visited would believe that there was poverty among whites. But in Rockford and Winnebago Counties we learned of 14,000 white families with incomes under $4,000 per year.

In Peoria, we found 8 percent unemployment; most of it among whites.

In East St. Louis, 24 percent of the AFDC fathers were white and white families were among those in the model cities target area where income was $2,535 for working fathers per year.

These were the portraits of loss in the vast murals of alienation that met our eyes and our consciences. For example, in Cairo, poor whites were in the forefronts of a mistaken battle "pitting have-nots against have-nots" on grounds of color when the real problem was the stagnation of the economic situation leading to loss of jobs and of profits; money and manpower and resources in that beleaguered little fortress at the tip of southern Illinois.

We are the bearers of an American dream that hardly is compatible with the nightmare that these people face.

The National Advisory Commission estimated that if Negro men were upgraded in employment so that their occupational distribution were identical to that of the male labor force as a whole, their total earned income would be about 30 percent higher than it is.

By contrast, reducing the Negro unemployment rate to the levels of white rates would add less than 10 percent to the Negro's aggregate earnings, even if they found jobs at the pay level prevailing for white men.

Several years ago the National Labor Service estimated that blacks and other minorities were deprived of over $30 billion per year in wages due to discrimination. Personal income for the Nation was $759.8 billion in 1969.

For over 11 percent of the labor force that is black it was only $53 billion. Black Sylvester Johnson was singing "something is holding me back, maybe it is because I am black or poor," was not caroling a romance but certainly a reality.

We would warn the Nation that what holds us back will ultimately ensnare the total republic. Men should eat in this Nation because the soil is fertile.

By that same token, men should have decent housing because there are trees and other ingredients for the proper construction of houses.

Yet the author of "The Other America" no longer ago than last month said that the Nation had yet to attain its 1948 housing goal of 800,000 housing units as the initial step in securing a decent house for all our citizens.

Franklin Delano Roosevelt in the "Four Freedoms" address enunciated that there must be freedom from want. He saw this feedom as an inextricable tide as freedom from fear.

Ancient scriptures say that he who turns his back on the poor rejects God and in his affliction will not attend to his needs.

Yet, last year's statistics tell us that over 9,000 farmer payees received $20,000 not to work. Five farmers and farm payees received $1 million not to farm, one over $4½ million not to farm.

ILLEGAL TO RAISE OWN FOOD

People, white and black, are malnourished and starving on Government subsidized farms where it would be illegal for them to raise their own food.

At least 32 farm payees received over $250,000 not to farm.

Illinois, the third wealthiest State in the Nation, had the fourth highest concentration of hunger families, some 629,000 families in all, more than 2 million people.

This same State earned over $666 million from its agricultural exports and had over 35 farm households with farm sales in excess of $40,000 to $60,000.

Senator **Percy**. Could you give those figures again? What was the 2 million figure you gave?

Reverend **Jackson**. Some 629,000 families in all.

Senator **Percy**. And 2 million people are what?

Reverend **Jackson**. Are listed as malnourished. The 629,000 families average over four persons per household. So the 629,000 times four would average over 2 million people.

Senator **Percy**. What statistical and research material stands behind that?

Reverend **Jackson**. Based upon the poverty level, based upon the income level, and the persons on welfare, people in Cook County, for example, and in Chicago, 26 cents per day, per meal, per person allowance is 78 cents a day given the price of food and 78 cents for a person, for those malnourished by definition, unless they are misappropriating the moneys.

Also, we found that in those same areas the poor in some instances could not even reveal their poverty because of the intimidation.

We found in Cairo, Ill., for example, we feel that the statistics are even worse but we could not prove it, because we know from evidence that we got among the people, black and white, that during the off-season the poor white and poor black are on welfare, but when it is time to pick strawberries and cotton that the politicians and the welfare people collaborate and they are sent back to the fields off of welfare. These are some of the kinds of evidences that we got.

This is part of what we are trying to say, that we would encourage you, those of you on the committee, to come to some of these areas, as you have, to talk with the people personally and not just rely upon the statistics.

Senator **PERCY**. You use the same sort of system the Internal Revenue uses to prove that a person must have a certain income if they are spending this amount of money and don't report enough income to sustain the standard of living they have.

You are simply saying if they only have this much income and it is known that they must be spending this much for rent and this much for other nonfood items, then the level that they have available left for food is simply insufficient to sustain an adequate diet.

Reverend **JACKSON**. In the Cook County situation, where people are averaging 78 cents a day for meals, over 58,000 families, it costs $78 per day to use Cook County Hospital. They don't have adequate medical care.

Senator **DOLE**. I wonder if you might elaborate on the relationship between the farm payments and the problem we are discussing.

Some of us, in fact the chairman and I, serve on the Senate Agriculture and Forestry Committee. We are now grappling with that problem, payment limitation.

What is the direct relationship between so-called excessive farm payments and malnutrition?

Reverend **JACKSON**. The inconsistency for us on the one hand comes that there is debate as to the poor needing more money, and oftentimes the argument is that they don't need more money because they should work.

These men are receiving money not to work.

We found some poor people living on the Government farms and because they were subsidized not to farm these people would have been in conflict with the law if they had farmed to raise their food.

Some are earnestly desirous of working to farm on those farms.

Senator **DOLE**. I don't defend the large payments. They are part of the program that Congress enacted in 1965. It is not as if some farmer were taking advantage of the Government or doing something he wasn't authorized to do.

Congress passed this act in 1965. There has been an effort to revise certain portions of the act. I think you will find the largest payments in the cotton area. I am aware of some of the cotton payments, and to whom the payments were made.

The point I am making is that the average American farmer is not living off of Government payments. He is not much happier than you are, with the fact that he must be paid a subsidy, as you say, "not to farm."

In many instances, as I am certain the chairman knows, coming from the farming State of South Dakota, the farmer is really paid only a subsistence level, and it is all part of the program to stop raising surpluses.

It is not a question of having the surplus wheat, for example, and having people hungry, because we would be very happy to dispose of the wheat.

In fact, we have something in the neighborhood of $22 or $23 billion in the so-called food-for-peace programs.

We have been a very generous nation. Perhaps we need to change the basic law. But in the process, we don't want to store up great surpluses of wheat or corn or cotton. If a large surplus is built up then the dollars that may be going to the farmer now will go to some warehouseman or some large grain company for storage.

Reverend JACKSON. I am not a farm economist, but at the community level we see some inconsistency between the States where there are large agricultural exports and high subsidy payments and people starving.

We also have some problem with the small farmer not getting the subsidy, but some obvious relationship between the major politicians and the rich farmer. That is why the few farmers get the most and the many farmers become among the unemployed and the malnourished. This we have seen evidence of in the field.

We have a problem with the inconsistency. We would assume that you would come up with solutions.

Senator PERCY. We thought we had.

Reverend JACKSON. No, there is not yet a solution because it seems that the farmer needs to be subsidized, just as the States have been subsidized. They don't call it welfare for the rich. The call it subsidy.

But the farmer has been subsidized. The rich college student who goes to Harvard has been subsidized. Those in oil have been subsidized. But the poor are not subsidized.

This is part of our concern, that there be some consistency because the farmer needs to be protected, but so does the one who needs to eat.

OVERPRODUCTION AND UNDERCONSUMPTION

Our last major problem is the overproduction and the underconsumption because of maldistribution. We can accept none of the arguments of maldistribution because they can get to us to tax us, they can get to us to draft us, but they can't get to us to feed us. So it is just the inconsistency we are concerned about.

I would hope that by sharing this information with you that you gentlemen would be challenged, either to challenge me by taking a personal tour which I invite you to take, either right here in Washington or in some of the farm areas.

We specifically went to some farms and talked with some poor whites and some poor blacks who were starving.

May I continue?

Senator DOLE. Before you do let me say, we are trying to find a solution. But it is sort of a two-pronged problem.

First, how do we reduce surpluses; second, if we do lower surpluses then we have to, in effect, pay the farmer not to produce or tell him to get off the farm.

It is a very delicate problem. It is a tough one. Of course, we hope we can reach a solution with a better distribution program, where the surpluses go to those people who need the food, and at the same time the farmer receives a fair market price.

I don't know of any farmer who wants excessive farm payments or farm payments beyond the limit. But there is more than one problem involved.

VESTED INTEREST IN THE POOR

Reverend **Jackson**. I guess honesty would compel me to admit that I have a vested interest in the poor because they are the ones I represent. Perhaps you represent farmers at another level.

Our concern is not about the farm payments for their subsidy or for their surplus. Our concern is the distribution of their surplus to eliminate the hunger, so that both the farmer and the consumer can be fed while we debate about what we are going to do about the excess money for the farmer.

Senator **Dole**. One of the largest excesses is cotton and you can't do much with that.

Reverend **Jackson**. I have trouble believing, for example, that J. G. Boswell, in California, who receives $4.5 million a year not to farm, would rather work to get the $4.5 million; that in the State of California, the No. 1 agricultural State in the Nation in fact, you have the second highest concentration of hunger families, more than 860,000 families starving.

Senator **Dole**. Is Boswell a cotton farmer?

Reverend **Jackson**. No; that is not cotton farming.

Senator **Dole**. What kind of farming is it?

Reverend **Jackson**. Food.

Senator **Dole**. There are only six basic commodities that receive support payments. What does he produce? Cotton, wheat, peanuts, feed grains, rice, or tobacco?

Reverend **Jackson**. He may be raising a new nation with $4.5 million.

Senator **Dole**. No subsidy is paid for vegetable or citrus farmers.

Reverend **Jackson**. I got these statistics from the Agricultural Department which publicly lists those receiving payments not to farm.

Senator **Dole**. The big green book?

Reverend **Jackson**. Why yes; big green book. It indicates that three farmers in California received more than $1 million a year not to work. One receives $4.5 million, in Kings County, Calif., J. G. Boswell. There are five farmers receiving a half million dollars or more not to farm.

Senator **Dole**. That is partly accurate.

Reverend **Jackson**. It is in the green book.

Senator **Dole**. It doesn't say in the green book they are paid not to work. They are paid not to farm. I think they are paid in accordance with the provision of the program. I want to make it clear that the farmers could care less, probably, about the program. It is something Congress did. It is not something that the farmers are doing.

If the Congress made the mistake, you should criticize Congress.

Senator **Percy**. As a nonmember of the Agricultural Committee, I am not an expert in these cotton-picking payments that are made. But I see more inconsistency in the agricultural subsidy program.

It is those five crops that are always in trouble. There are 100 crops that are in the free market, where you win or lose, and most of them generally respond.

The market system is the best system we have ever designed. To pay $4 million or $4.5 million to people for not producing, when any dirt farmer with a pencil that long on the back of a brown envelope in 15 minutes can figure out how to beat the most elaborate computerized production control system they have ever developed, I think it is ridiculous. It is wrong to pay that money out when you have an estimate of $2.9 billion by the Budget Bureau to close the hunger gap in America and we can't appropriate that money because we don't have it. The budget is too tight.

Yet, if you could just take money from over here on these five crops and somehow move them into the free market and get them out of the regulated and controlled area of trying to limit production, there would be more money available. The crop subsidy is just as bad as tobacco subsidies, where we subsidize to limit production, still stockpile tobacco, and then spend millions of dollars to advertise to sell tobaccos abroad. You are still killing people off with cancer, I suppose, with American tobacco.

This is the most inconsistent type of thinking I have ever seen.

Reverend **Jackson**. Senator, it seems to me Senator Dole gave me an excellent privilege to divert from my message and perhaps get on his relative to challenging the Congress to be consistent.

I think that some of the stranglehold has to be directly related to the power bloc of the Southern aristocracy which has been built up by the seniority system which has its roots in tradition and not in logic.

Seniority as opposed to bringing about wisdom is more closely akin to senility. One would find in Sunflower County and other Mississippi counties, the James Eastland territory, where the starvation is the most complete and most visible, where black and white——

Senator **Dole**. Is there starvation, or malnutrion?

BIAFRA IN AMERICA?

Reverend **Jackson**. In Sunflower County, Miss., you have people looking as if they were brought here from Biafra. I mean exposed ribs and dying in ditches.

Senator **Dole**. Where?

Reverend **Jackson**. In Sunflower County, Miss.

Senator **Dole**. Do you have specific examples? If there are, we ought to check into it immediately.

Reverend **Jackson**. What I think we ought to do, which would be a good challenge if you accept it, would be to take a trip to Mississippi, to James Eastland's territory and Senator Stennis' territory. We could probe it any day you would be available.

Senator **Dole**. I was there 3 days in January and saw some problems but no one who looked as though he just came in from Biafra.

Reverend **Jackson**. Maybe you just talked to elected officials.

Senator **Dole**. No; these were public hearings.

Reverend **Jackson**. Unless you go beneath the level of the public intimidation and deal with some of the people who live in the areas where they don't even have lights, where bathrooms are out still just beyond the ditch, where people feel that welfare is a privilege rather than a right, where they think they earned public assistance because they were loyal to the politician—just beyond the people that can expose themselves publicly is another whole group of invisible people in those counties, the invisible majority, and if this committee would accept the challenge to go there it would be very revealing for the whole Nation.

Senator **DOLE**. Senator Percy made a good point. We have helped the farmers in America for the last 28 years. As a result, in the decade of the 1960's we lost a third of our farmers. This indicates how much help sometimes Federal programs can be.

The effort and the intent was sincere. It has been ever since we have had farm programs.

The only point is that Federal subsidy alone doesn't mean you are going to have success, either in welfare or on the farm or in any other program.

Reverend **JACKSON**. In closing, it seems to me that there would be less anxiety there if the starving people were subsidized as well as the farmers because everybody should be subsidized.

If our consummate labor input has created a surplus, then all of us should share in it. That is the point. If there is now surplus it is because those that are now starving helped to create the surplus by knocking away the weeds and knocking away the woods, and creating the surplus.

As it is now structured, only the rich lavish in the surplus and the poor are denied to participate in it. In fact, in absolute numbers there were more hungry families in the Eastern and far western States and Northeastern States than in the South, which reveals that greater than any generation gap alone has been the expectations gap.

These have been the areas of greatest rebellions and riots because expectation has been highest. Deliverance has been lowest.

In this gap, alienation has set in. All evidence points to the fact that the poor merely get poorer as their submarginal incomes are able to purchase less and less and their wages shrink to the point of meaninglessness.

This fact surfaced in a table recently published by U.S. News & World Report which disclosed the moderate, middle and upper income budgets prepared and scaled by the Department of Labor are for a family of four living in a city. In every section of the Nation, including the Deep South, a moderate budget went no lower than $8,000 for a family of four, based upon need. The lowest moderate budget was $8,832.

Moreover, the lowest minimum budget reported was $5,812, and as far South as Louisiana, a minimum budget was $5,997 for a family of four.

In Chicago, a moderate budget was reported as $10,332. This is beyond the median income of the city.

HUMAN SUBSIDY PROGRAM

But the moderate budget and the minimum budgets are in excess of the median income of the poor and of the blacks. Our proposals included: We believe that it is absolutely imperative that the Nation support some form of human subsidy legislation as a means of over-coming the structural poverty that has strangulated the potential and frustrated the development of nearly 20 percent of this Nation.

The goal of stopping all hunger and malnutrition and removing the scourge of poverty and destitution from all people begins when we decide that subsidizing persons as our greatest resource is a commitment to which we are irreversibly bound.

For example, the human subsidy bill, called human security plan, offered by the chairman of the Senate select committee, includes, among other provisions, a children's allowance. America is the only advanced industrial nation in the Western World without such a program.

The allowance would offer one creative way of dealing with poverty where it is most damaging and where it makes people most vulnerable; namely, in the lives of our children.

Other aspects of the human security plan raise significant issues with which the Nation must be prepared to deal relative to employment and the income and care of the aged. What must be understood is that the poor should be neither puppets nor prisoners in our society. They are the products of the success of the industrial revolution. Thus, they should be nourished and encouraged and not shunted aside in this Nation.

SCLC's Operation Breadbasket supports a human subsidy proposal that will eliminate the men and means test for eligibility for benefits.

We have found in Chicago and in 10 different cities across the Nation that persons who get up and leave their houses in the morning to come down to the basement of a church or to a makeshift cafeteria or to a cafe certainly are operating out of need and would not come there if they did not need to eat and literally be publicly humiliated. They did not need the means test. They simply needed food and they came to eat, even out of their houses.

We further contend that hunger and poverty must be declared disasters and emergency measures taken to remove the blight brought on by the presence of both.

It seems to us that there is a direct correlation between man being separated from rights that he should not be alienated from, like food, health, education, a place to live, a chance to get educated.

It is indicated very clearly, based upon the structure of our Nation, that we believe that a nation has an obligation to protect, not grant, but to protect, man's inalienable rights, and that the only reason men should be starving is that the nation does not have the fertile soil and does not have the productive powers.

Emergency job retraining and job placement programs for unemployed and hungry people must be put into effect. These programs need to be much more comprehensive than the usual manpower training programs and must provide a livable wage with adequate work allowances to trainees as well as those placed out of its program.

We do not believe that just food stamps and commodity programs speak to the issue, but people need jobs where they can purchase food, where they can purchase a house, where they can send their children to get education.

We believe that the root of the question really is a job or an income, not a variation in the styles of handouts. We believe that even the Army and the National Guard, which we see come into our communities when the fruits of poverty manifest themselves in rebellion, should come at the roots rather than just coming in the long, hot summers.

Sometimes the Army ought to come in the long, cold winter and be seen as friends of the poor. Just as they are seen in South Vietnam they should be seen in South Carolina, where the Army brings food, where the Army distributes services and sets up medical tents, where everybody could begin to feel that there is a national commitment to the elimination of poverty, ignorance and disease, and a national commitment to a nation for the people, by the people, of the people, not just of, by and for the few.

Programs dealing with other forms of negotiable tender than cash should be abolished as soon as possible so as to end the stigma against persons who are poor and place them closer to the mainstream of the American economy.

You are people, you use money. To suggest that I use something less than that would be to say that I am less than people, and by definition assess me behind a psychological barrier that is more devastating than the biological barrier. Ultimately it costs more not to feed 40 million people than it does cost to feed 40 million people.

We also do not appreciate from perspective of the black community that hunger and black are seen as synonymous terms when in every instance we found that there are numerically more white than black, and the poor whites feel forsaken when they are offered a racists menu when they need a balanced diet. The elimination of blacks is not the presence of food, health, or education for poor whites.

ADMINISTRATION SAYS ALL ARE ENTITLED TO GOOD HEALTH CARE

Public health has become a public hazard in most cities of this Nation. In July 1969, the administration, and specifically the President, made a declaration of health needs and spelled out the health emergency in this Nation.

At that time, the President decreed that everyone is entitled to good health care. The administration has failed to deliver on this promise, health care as related to financing health needs.

Those who cannot finance their care in whole or in part usually receive the very poorest care or no care at all.

If this committee does not expose and make the invisible, unhealthy visible, then we are afraid that the Finance Committee will be able to say that they do not exist because, by and large, they are invisible.

Charity as a criteria for establishing sound medical or health care is completely unacceptable and has been rejected by the Federal Government as a guideline for health care.

Dr. Andrew Thomas reports that the growth of the Federal bureaucracy has only intensified the problem. An example of health care crisis in this Nation can be seen on the streets of Chicago and in the wards of its hospitals, particularly Cook County Hospital in Chicago just visited by Senator Percy.

Infant mortality rates in the impacted black and poor ghettos are over 38 per 1,000 live births. In one ward, tuberculosis reaches 220 of every 100,000 persons in urban America.

Two blocks from the area where the median income is $9,800 per family, seven hospitals handled four-fifths of the black patients in the city and Cook County alone handles 50 percent or more.

Again, some 70 physicians out of 7,000 serve half of Cook County's 265,000 medical aid recipients. This results in assembly line medical care with a vengeance. Again, Dr. Andrew Thomas stated that the crisis in Cook County is so severe that field-type emergency hospitals should be set up in the black and poor community.

Fortunately, some doctors now are developing a greater commitment to public health than personal wealth. This value system is needed as much as assistance from the Government.

Finally, it is crucial that those most affected by the crisis have prepaid medical health plans and that they be allowed to participate in the planning and the development of the program.

It is not necessary that they be experts in all aspects of medicine for they will certainly sense the needs, which they have.

CONCLUSION

This committee has done more to expose the evil of hunger and deprivation than any single body in recent years. When we finished our march last year in Springfield, as you will recall, the now Senator Smith proposed that $125 million be cut from the welfare budget, which would have been fully one-third. It would have cut the welfare allowance from an average of $47 a month to $32 a month, which would have been instant starvation in the State of Illinois.

His argument was to cut off or to reduce the incentive for people coming across the State line into Illinois.

The help of this committee helped us along with the Governor and our Senators to challenge him to make the adjustment and table that bill.

It is because we have some power to expose the demonic acts and trade-offs of the poor for favors from the rich that this committee is very valid to those of us in the community.

We must now move from exposing a play to executing a program, but we cannot stop exposing it until the execution is in fact a reality.

WE CAN CONQUER HUNGER

This Nation has the capacity to defeat hunger and poverty and to meet human need. It has the skill power, but it does not have the will power. It needs but the will and commitment to proceed rearranging its priorities to deal with these problems.

Our organization continues to pursue Dr. King's dream. There is considerable concern here for making Dr. King's birthday a national holiday. It is one thing to lavish in his death and in his crucifixion about his dream, but we need more, a concern for Dr. King's scheme which was the feeding of hungry people every day in the year and if there were an exchange off and if we had to set aside one holiday over and against 365 holy days, for people to have a job on income and each day being a holy day, we would accept the trade-off if it came to that. The fact is we need them both.

We are fully cognizant of the nightmares about us but hopeful that we will redeem the mission and soul of this Nation.

Thank you.

Senator McGOVERN. Thank you very much, Reverend Jackson, for that eloquent and moving statement.

You told Senator Percy and me last summer when we came to East St. Louis, and you repeated it again today, that there is something demeaning in the view of the poor people or any person, in receiving food stamps or food commodities rather than cash.

I think you said last summer that men use cash, not stamps, when they want to buy the needs of their family.

I wonder if you would carry that one step further and say that it is also important how that cash is received, that it be done with dignity, either through a decent job or some kind of universal assistance program.

Reverend **Jackson**. It seems to us that it ought to be clear that everybody reacts to our talking about the standardized income or the base income.

We talk about the Nation needs a base for all of its people before it talks about a ceiling for a few more of its people. The only time that stamps or cards are not demeaning is when they indicate privilege.

If you can show a card to indicate that you are a person of prestige and you can come to the front of a line, and you can get the most service for the least amount of energy spent, it is good.

But when cards are shown as indications of your poverty, they demean the human personality. I remember, too well, as a child the experiences both of the sugar stamps where people could pass through and the kind of human tendency on those of us who had stamps, which had the effect, oftentimes, of making us steal before we would starve.

We were forced into this state of perversion. But there were other times when we would have to come up to the line and we would be trying to buy our groceries based upon the stamps we had, and if we didn't have enough stamps in the midst of people who had just gone before us or people coming just after us, we would have to choose, with the assistance of the cashier, food that we would have to take back, that our stamps didn't cover.

MAKE FOOD STAMPS AVAILABLE FOR BASIC NECESSITIES

Tragically enough, they don't cover, oftentime, basic necessities, like toothpaste and soap, and toothbrushes, which can be directly related to poor health.

Senator **McGovern**. Those provisions, as you may know, Reverend Jackson, were included in the Senate bill that passed last fall. They are still, to the best of my knowledge, not included in the House.

Senator **Percy**. Can't this be done without a law of Congress by the executive branch of Government?

Aren't they authorized, by Executive order, to extend food stamps to cover a few of these basic necessities that have been brought out for a year now?

Senator **McGovern**. Unfortunately, the present food stamp legislation, Senator Percy, is specific on that and does limit it to food defined in that sense.

That is the reason that you and I and other members of this committee insisted on broadening that authority.

It is in the Senate-passed bill. I quite agree with Reverend Jackson that it ought to be a matter of law.

Just to pursue that question a little further, Reverend Jackson, it has sometimes been suggested that the welfare system is, itself, a cause of some of the racial tensions in the country, and also that it aggravates the split between those who receive and those who pay, the taxpayers and, therefore, that some kind of device ought to be developed in the administration of public assistance that doesn't set aside poor people into a category, that isolates them and forces them into position where they are on the receiving end, resenting it with all the means tests and so forth, and then glaring across from the other side the group of people who are paying for the program.

Could you comment on that, or any general reaction you have, as to the kind of program we ought to have that would get away from what seems to me to be a weakness in our present assistance programs building this gap between those who receive and those who pay?

Reverend JACKSON. It seems to me that there are several things that must be emphatically understood.

I would hope that you, Senator Dole, you, Senator Percy, Senator McGovern, and others, would push it from your platform.

No. 1, poor people did not set up the welfare system. They did not set up the condition for the welfare system.

The welfare system did not come out of the moral insistence of political powers but out of economic necessity. The welfare system grew out of a depressionary measure. I spoke of the high unemployment rate of whites. If we had had an objective standard based upon poverty, blacks would have come on welfare as an expression of a commitment to the Emancipation Proclamation.

Some form of assistance in the form of 40 acres and a mule or a welfare program should have been started here. But it was a reaction of the white poverty.

Since that time, numerically more whites than blacks have always been on welfare. There is somehow a stigma when you subsidize the rich and give them depletion allowances as if there is a virtue in their having accrued surplus that is the result of the sweat, blood, and tears of the poor.

It seems important that to just feed a man bread alone is to run in conflict with some good advice that Jesus offered us, that man can't live by bread alone. Just to give a man stamps and potatoes? A man also needs dignity. He needs aspiration and ambition level raised.

The whole welfare system as opposed to being seen as something that is a defect in the desire and the will to work on the part of the poor has to be seen as a defect in our economic system itself when one of the officers of the Cabinet or the President indicated a certain amount of unemployment is desirable because it keeps a certain level of competition at the bottom of the economy and that there is a higher percentage of welfare recipients who work every day but who just receive so little money until their working makes no difference.

HUMAN NEEDS AND HUMAN DIGNITY

Those people who would work people in this country and at the end of 40 hours work they have not gotten a livable wage, they should be held as in violation of the law rather than those who work and don't get the money for their work and then are stigmatized by the law.

These are just some of the classic kinds of inconsistencies and one of my concerns for challenging this committee to move into human needs and not just hunger. Hunger is really just one angle of what is a triangle or maybe even a rectangle of the whole poverty cycle.

If a man is handling a Robert Taylor home where 20,000 poor people are in a six-block area, if a man cannot get a decent job, then he certainly needs an income because men will steal before they will strave.

But then if he gets it and he goes to an overcrowded, underfacilitated school and graduates ignorant, then he won't have the skill necessary for today's job market.

Then if he has the job and the money and has to live in a house that is not commensurate with his income, then that will be meaninglessness attached to his reason for working.

There is a kind of vicious cycle involved in the whole hunger cycle. You cannot really separate it from poor education, jobs unavailable or jobs that don't pay enough and ragged housing, which has really, a deteriorating effect on the whole soul.

I felt at the very beginning, and I did not have the documents before me as to what brought you into existence, I thought the human needs provision, just by definition, took into account that those of you here were versed enough in sociology and psychology to understand that hunger may be a rock but the reverberations express themselves in forms. Hunger manifests itself in a lower ambition level. It manifests itself in petty crimes. It manifests itself in children being expected to sit up and learn abstract mathematics on an empty stomach.

It manifests itself in ridiculous contradictions in our community.

Senator McGovern. In that connection, there have been several proposals made both by Members of the Congress and by the executive branch as to some kind of a minimum income maintenance figure.

The President has talked about $1,600 for a family assistance payment for a family of four. Over the weekend a news reporter developed that one of the Members of the House Ways and Means Committee is considering a counterproposal to end the food stamp program but to give families of four a guaranteed income of $2,400 or $2,500 a year.

What is your comment, not necessarily on those specific proposals but that general level of income maintenance in terms of a job that needs to be done?

Reverend Jackson. I have some problems both with the amount of money and the method suggested by the President, because it has created the feeling that depression is the logical manifestation in the community of the recession suggested at the top of the economy.

We know that poor people didn't create inflation. Any time there is inflation at the top of the economy there is a deflation at the bottom. To ask for a recession at the top creates a depression at the bottom.

The poor still pay more for things they didn't create. We still bear the burden. It is absurd, when one considers it, it seems to me, that when the Labor Department indicated what a family of four needs just as minimal in this country, or if you are just to be human you need approximately $6,000 a year and none of you here would even subject yourself even to a pilot project of living off that kind of money even for a while.

Those people are just as human as those of you here or the President, himself; $1,600 is ridiculously low when one considers $78 per day for Cook County Hospital, and that is not a private hospital with a private physician which most people want when they get seriously ill, including the President, himself.

Also, the method suggested, whereby you turn the authority to the States to do it forgets the fact that it was precisely because the State leaders did not want to assume the authority to participate in the democratic process and locked poor people not only out of the right to eat but even the right to be seen as persons in the public spectrum.

They lost their power to distribute goods and services when they wouldn't allow poor blacks to use the bathrooms when they had the biological urge, or to even use the public libraries when they called them ignorant.

To give this kind of power back to the hands of the Southern politicians in particular means that in Cairo, Ill., that the politicians there can determine and define work, define what gainful employment is.

It means in Sunflower County, Miss., or in McMillan's county in South Carolina, he can say, "You are on welfare. Gainful employment is to pick this cotton. If you don't pick the cotton for $1,600 a year, then we will put you back off of welfare," which becomes a form of slavery, and at the lower level of government there is no redress for this kind of grievance.

It can only manifest itself in the kind of ugly rebellions that all of us disagree with as an acceptable form of protest in this country. Of the $1,600 suggested, and the $2,500, and even the $3,600, given the realities, the $3,600 is closer but even it is absurd by comparison.

It is the best political suggestion. But given the standard of living it is certainly not the best moral suggestion. If anything, we need the $3,600 plus the basic necessities of life.

Senator **McGovern**. Senator Percy?

Senator **Percy**. As I understand your position, Reverend Jackson, you favor food stamps and commodity food programs now until such time as you can replace them. And you absolutely stand firm in replacing them for cash.

But in the meantime, they are the most expedient and only thing we have available to us. What would be your comments on the fact that the city of Chicago in this temporary period does not have a food program?

Do you feel they should move into this type of program? Is there a sense of urgency about doing it?

Reverend **Jackson**. I have to be practical enough to admit that food stamps are better than no stamps, and that commodities and food stamps are better than not having either.

But it hurts me to assume that the highest human expression of the consummate wisdom of our Congress is that it would demean the people it caused first to die for it in its wars. That is the painful reality, that the consummate expression of the morality of our Congress is that it would demean its citizens that it calls upon to clean its bathrooms and streets and to die in its wars first.

It seems to me that in Chicago, rather than put the city on the defensive, as some of us who have challenged political leaders have done, we are trying to come up with a program, and hopefully the city will work with us rather than react negatively, and declare hunger illegal, not just immoral, whereby we can prove that there are over 58,000 families listed as malnourished and that there are poor whites, poor blacks and Puerto Ricans in breadlines on the North Side of Chicago just two blocks west of Chicago's famous and infamous Gold Coast.

We would suggest that the Child Nutrition Act be employed there immediately, that a state of disaster be called, and that in some instances emergency tents be brought out.

We know of mothers literally by the hundreds who cannot get the prenatal care. We know mothers just by droves in blocks who do not have sufficient diets and whose babies are being born with irreparable brain damage.

A sense of urgency has to come from the top. The drive to feed the hungry can't just be seen as a civil rights protest. It must be seen as an American program. That has not yet come from the very top leadership in this country.

There is not that sense of urgency felt at that level. It seems that on food stamps and the commodities our mayor should come before a committee such as this and challenge you to get him an audience with the President, to challenge him to bring off some kind of unique experiment.

One of the things that we need in the country, it seems, is that it is bad, as the President says, when the Federal Government has to provide all the creativity from the top down. It seems to me from the bottom up some creative prototypes that expand present programs even if it hurts should be shown so that other cities can become as Chicago has become or as New York has come, or as Los Angeles or Denver has come.

We have suffered in one sense because of a lack of a creative response from the executive level of our government, but also lack of a creative program at the root, which is in the cities themselves.

In Chicago, if a child 10, 11, or 12 years old goes to a liquor store and is able to purchase that liquor, if he is caught the child can be sent to a house of correction. The parents can be pulled off of their jobs and arrested, and the license can be revoked from the liquor dealer within 24 hours.

There is a high sense of urgency about the whole question of liquor because we get so much tax money out of liquor. There is a vested interest in protecting the liquor market. But if the same child, white, black, Puerto Rican, Indian, Spanish American, walks into a welfare office and is starving and can prove it by subjecting himself to a test, no dynamic takes place.

If the child stays there after 5 o'clock, he will simply be arrested.

Senator Percy. Mr. Chairman, this is literally true in Chicago. I had a doctor call me. He had six children who were seriously malnourished, a 6-month-old boy that weighed 9 pounds. He wanted to know what kind of help he had. There was no public agency to whom I could go in the city of Chicago to get food. I could get quickly a prescription of medicine, but I couldn't get food.

That, I should think, should be more easily available than medicine.

The Jewell Tea Co. had to come forward with a voluntary contribution to this doctor for food for these children. That is a terrible thing.

Reverend Jackson. We need all the help that we can get from this committee, again not so much to put Mayor Daley on the defensive but to challenge him to come up with an offensive, a program.

In the 15-city tour that we took around the State, it is just as true in Cairo, or it is just as true in Los Angeles, in Cincinnati, in the whole valley area of Ohio, Kentucky, and all that, up here in Newark, N.J. And right here in Washington, D.C., too. It is just literally true across the Nation.

I would hope that some of you who have some inside relationship with the Chief Executive of the country, on some of the excursions that he takes, would see that he would take them around inner city America, where he could touch hands with some people and see some cases and understand that humans and statistics are two different things. Statistics represent humans, but there cannot be the sense of feeling and the sense of pathos.

If there was much sensitivity to the leaders of these communities who are trying to represent starving people as there is a sensitivity to the leaders of other nations around the world, where we take our tours, there would even be a tighter sense of communication, and even internal security within the country itself.

We cannot get the feeling in Chicago that we got a real emergency, a national crisis, and our President will come to our rescue. We can't get that feeling. We can't get it in Los Angeles. We can't get it in Newark. We feel that we are without a President. But we feel very presided over.

Senator **Percy**. I want to get a quick reaction in four areas, to get an indication from you as to whether you have done some thinking about our problems.

The $1,600 proposal in the Nixon administration is made up of $500 for two adults and $300 presumably for two children. It is a children's allowance.

Yet, Secretary Finch has said that we should limit our families to two children. We know that families in Chicago, for instance, or in many urban areas, simply can't be taken care of because of the number of children in the family and the fact that the allowance doesn't go far enough. Should there be any sort of a limitation placed on the number of children for whom an allowance would be paid?

Do you know how to handle this population problem other than just education, so that we don't have too much of an incentive to have more children?

Reverend **Jackson**. In my experience of participating in the child-bearing process, I wasn't inspired by $50, I will tell you that. Not at all.

The other thing is that it does not speak to the problem because the problem in America is not overpopulation. It is not underproduction in agriculture. We are not overpopulated. But in agriculture we do overproduce.

People are underfed, however, which is more of a reflection upon the government officials who have not developed a system of distribution than the families who have children.

The other point is that when the poor people are deprived of the luxuries of life, then to suggest that they be deprived of the essence of life is just to suggest genocide on poor people.

Senator **Percy**. I would be very disturbed if we looked on population control and family planning in that light.

I would like to report, Mr. Chairman, that of the discouraging aspects of my weekend the most encouraging was the fact that through education and family planning on the South and West Sides of Chicago the population has followed exactly the national trend.

Births are down 10 percent from a year ago. This simply means that a woman is not evicted from Cook County Hospital after giving birth at the end of 2½ days. She can now stay 3 days because they can take care of her a half day longer because we are now starting to see that you can't just keep turning children out and not have a deteriorating effect.

Reverend **Jackson**. That last bears some relationship between education, as we all know, and income and small families. Among other things, people who are making money are too busy making babies. In some instances, that cannot be the universal rule because some people's religion in this country is such, and I am sure we wouldn't want to suppress people's religious freedoms and convictions.

I don't think we would want to suggest that the Kennedys cut down on their families. This is a religious thing with some people.

Senator **Percy**. There is a tremendous communicative program that you have across the Nation in Operation Breadbasket, and I hope we can look at the population problem in an intelligent and enlightened way. We want families to have children to the extent that they can maintain them. But the continued pressure in the ghetto of population is a tremendous problem today. I hope you can help us with it.

I will ask one more question.

NEIGHBORHOOD HEALTH CENTERS

Do you have any feelings on the value of neighborhood health centers? When it takes 3 or 4 hours to get to a county hospital, where people wait 6 or 8 hours, and three out of four are rejected because they are not bed cases, in an area you know well, do you feel that neighborhood health centers should be expanded under Hill-Burton and just reach out to put health care in the community and in the neighborhood?

Do you think that is a good answer to health care?

Reverend **Jackson**. The average distance traveled by poor people in Chicago to the hospital is 15 miles. That is the average distance traveled by persons who are too poor to have cars, by persons who have no allowance for public transportation, persons who are sick and in an emergency must move in a crisis to get transportation from their neighbor who is also poor and on the welfare system and can't have a car.

So, in a real sense, they are expected to walk the 15 miles, unless they develop some other method that is not taken into account by the law.

Obviously, if people had easy access to medical centers, that would help. But we cannot divorce the ratio of people to doctors apart from the problem either. That is why it is so inconsistent to me, that hospital construction would be cut back, milk subsidy cut back, and education cut back, because we need more doctors and more paramedical people.

It seems to me radically inconsistent to fight for the continuation of our space program, which has such beautiful byproducts, and even the suggestion by the Vice President that we take off from the moon and go to another planet, and at the same time come right back and cut Health, Education, and Welfare.

I am having a problem just at the local level of what I see of the concern for environmental concern. I know the air doesn't need to be polluted, the water contaminated, and the industries that pollute and contaminate should be challenged to stop it. That would be fine.

But then to be concerned about saving people, that is where I think the President should take some community tours. Statistically it may seem somewhat logical to cut HEW. If HEW is three letters, if HEW is a thing and there are some statistics to be cut and statistics balanced, then you can do it dispassionately.

But if cutting HEW means making the sick sicker, and the semi-literate illiterate and the illiterate more frustrated, I am sure the President, if he were more in personal contact with the persons deprived by that measure, would not have the heart.

It is inconsistent for them to be having prayer sermons in the White House and cut HEW and increase the moon program. I can't see the consistency.

Senator **Percy**. Thank you.

Senator **McGovern**. Senator Dole.

Senator **Dole**. Thank you, Mr. Chairman.

Reverend Jackson, you have made some very general statements. I am not willing to concede all the points you would raise.

For the record, Mr. Chairman, since we are on the President's family assistance program, I would like to have made a part of the record his address to the Nation on August 8, 1969, and his message to Congress on August 11, 1969.

Senator **McGovern**. Without objection, it is so ordered.

Senator **Dole**. If they could be, they should follow the statements by the two Senators.

(The material submitted by Senator Dole follows:)

Office of the White House Press Secretary—The White House

TEXT OF THE PRESIDENT'S DOMESTIC SPEECH, DELIVERED AUGUST 8, 1969

As you know, I returned last Sunday night from a trip around the world—a trip that took me to eight countries in nine days.

The purpose of this trip was to help lay the basis for a lasting peace, once the war in Vietnam is ended. In the course of it, I also saw once again the vigorous efforts so many new nations are making to leap the centuries into the modern world.

Here in the United States, we are more fortunate. We have the world's most advanced industrial economy, the greatest wealth ever known to man, and the fullest measure of freedom ever enjoyed by any people, anywhere.

Yet we, too, have an urgent need to modernize our institutions—and our need is no less than theirs.

We face an urban crisis, a social crisis—and at the same time, a crisis of confidence in the capacity of government to do its job.

A third of a century of centralizing power and responsibility in Washington has produced a bureaucratic monstrosity, cumbersome, unresponsive and ineffective.

A third of a century of social experiment has left us a legacy of entrenched programs that have outlived their time or outgrown their purposes.

A third of a century of unprecedented growth and change has strained our institutions, and raised serious questions about whether they are still adequate to the times.

It is no accident, therefore, that we find increasing skepticism—and not only among the young, but among citizens everywhere—about the continuing capacity of government to master the challenges we face.

Nowhere has the failure of government been more tragically apparent than in its efforts to help the poor, and especially in its system of public welfare.

Target: Reform

Since taking office, one of my first priorities has been to repair the machinery of government, and put it in shape for the 1970s. I have made many changes designed to improve the functioning of the Executive Branch. I have asked Congress for a number of important structural reforms: among others, a wide-ranging postal reform, a comprehensive draft reform, a reform of the unemployment insurance and anti-hunger programs, and reform of the present confusing hodgepodge of Federal grants-in-aid. Last April 21 I sent Congress a message asking for a package of major tax reforms, including both the closing of loopholes and the removal of more than 2 million low-income tax-paying families from the tax rolls entirely. I am glad Congress is acting now on tax reform; I hope it acts soon on the other reforms as well.

The purpose of all these reforms is to eliminate unfairness; to make government more effective as well as more efficient; and to bring an end to its chronic failure to deliver the service that it promises.

My purpose tonight, however, is not to review the past record, but to present a new set of reforms—a new set of proposals—a new and drastically different approach to the way in which government cares for those in need, and to the way the responsibilities are shared between the State and Federal governments.

I have chosen to do so in a direct report to the people because these proposals call for public decisions of the first importance; because they represent a fundamental change in the nation's approach to one of its most pressing social problems; and because, quite deliberately, they also represent the first major reversal of the trend toward ever more centralization of government in Washington. After a third of a century of power flowing from the people and the states to Washington it is time for a New Federalism in which power, funds and responsibility will flow from Washington to the states and to the people.

During last year's election campaign, I often made a point that touched a responsive chord wherever I traveled.

I said that this nation became great not because of what government did for people, but because of what people did for themselves.

This new approach aims at helping the American people do more for themselves. It aims at getting everyone able to work off welfare rolls and onto payrolls. It aims at ending the unfairness in a system that has become unfair to the welfare recipient, unfair to the working poor, and unfair to the taxpayer.

This new approach aims to make it possible for people—wherever in America they live—to receive their fair share of opportunity. It aims to ensure that people receiving aid, and who are able to work, contribute their fair share of productivity.

This new approach is embodied in a package of four measures: first, a complete replacement of the present welfare system; second, a comprehensive new job training and placement program; third, a revamping of the Office of Economic Opportunity; and fourth, a start on the sharing of the Federal tax revenues with the States.

Next week—in three messages to the Congress and one statement—I will spell out in detail what these measures contain. Tonight I want to explain what they mean, what they are intended to achieve, and how they are related.

Welfare

Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure.

Our States and cities find themselves sinking in a welfare quagmire, as caseloads increase, as costs escalate, and as the welfare system stagnates enterprise and perpetuates dependency. What began on a small scale in the depression 30s has become a monster in the prosperous 60s. The tragedy is not only that it is bringing States and cities to the brink of financial disaster, but also that it is failing to meet the elementary human, social and financial needs of the poor.

It breaks up homes. It often penalizes work. It robs recipients of dignity. And it grows.

Benefit levels are grossly unequal—for a mother with three children, they range from an average of $263 a month in one State, down to an average of $39 in another State. So great an inequality is wrong; no child is "worth" more in one State than in another. One result of this inequality is to lure thousands more into already over-crowded inner cities, as unprepared for city life as they are for city jobs.

The present system creates an incentive for desertion. In most States, a family is denied welfare payments if a father is present—even though he is unable to support his family. In practice, this is what often happens: a father is unable to find a job at all, or one that will support his children. To make the children eligible for welfare, he leaves home—and the children are denied the authority, the discipline and the love that come with having a father in the house. This is wrong.

The present system often makes it possible to receive more money on welfare than on a low-paying job. This creates an incentive not to work; it also is unfair to the working poor. It is morally wrong for a family that is working to try to make ends meet to receive less than the family across the street on welfare. This has been bitterly resented by the man who works, and rightly so—the rewards are just the opposite of what they should be. Its effect is to draw people off payrolls and onto welfare rolls—just the opposite of what government should be doing. To put it bluntly and simply—any system which makes it more profitable for a man not to work than to work, and which encourages a man to desert his family rather than stay with his family, is wrong and indefensible.

We cannot simply ignore the failures of welfare, or expect them to go away. In the past eight years, three million more people have been added to the welfare rolls—all in a period of low unemployment. If the present trend continues, another 4 million will have joined the welfare rolls by 1975. The financial cost will be crushing; the human cost will be suffocating.

I propose that we abolish the present welfare system and adopt in its place a new family assistance system. Initially, this new system would cost more than welfare. But unlike welfare, it is designed to correct the condition it deals with and thus to lessen the long-range burden.

Under this plan, the so-called "adult categories" of aid—aid to the aged, the blind and disabled—would be continued, and a national minimum standard for benefits would be set, with the Federal Government contributing to its cost and also sharing the cost of additional State payments above that amount.

But the program now called "Aid to Families with Dependent Children"—the program we normally think of when we think of "welfare"—would be done away with completely. The new family assistance system I propose in its place rests essentially on three principles: equality of treatment, a work requirement and a work incentive.

Its benefits would go to the working poor, as well as the non-working; to families with dependent children headed by a father, as well as to those headed by a mother; and a basic Federal minimum would be provided, the same in every State.

I propose that the Federal Government build a foundation under the income of every American family with dependent children that cannot care for itself—wherever in America that family may live.

For a family of four now on welfare, with no outside income, the basic Federal payment would be $1,600 a year. States could add to that amount and most would do so. In no case would anyone's present level of benefits be lowered. At the same time, this foundation would be one on which the family itself could build. Outside earnings would be encouraged, not discouraged. The new worker could keep the first $60 a month of outside earnings with no reduction in his benefits, and beyond that his benefits would be reduced by only 50 cents for each dollar earned.

By the same token, a family head already employed at low wages could get a family assistance supplement; those who work would no longer be discriminated against. A family of five in which the father earns $2,000 a year—which is the hard fact of life for many families—would get family assistance payments of $1,260 for a total income of $3,260. A family of seven earning $3,000 a year would have its income raised to $4,360.

Thus, for the first time, the government would recognize that it has no less of an obligation to the working poor than to the non-working poor; and for the first time, benefits would be scaled in such a way that it would always pay to work.

With such incentives, most recipients who can work will want to work. This is part of the American character.

But what of the others—those who can work but choose not to?

The answer is very simple.

Under this proposal, everyone who accepts benefits must also accept work or training provided suitable jobs are available either locally or at some distance if transportation is provided. The only exceptions would be those unable to work, and mothers of pre-school children. Even mothers of pre-school children, however, would have the *opportunity* to work—because I am also proposing along with this a major expansion of day-care centers to make it possible for mothers to take jobs by which they can support themselves and their children.

This national floor under incomes for working or dependent families is not a "guaranteed income." Under the guaranteed income proposal, everyone would be assured a minimum income, regardless of how much he was capable of earning, regardless of what his need was, regardless of whether or not he was willing to work.

During the Presidential campaign last year I opposed such a plan. I oppose it now, and will continue to oppose it. A guaranteed income would undermine the incentive to work; the family assistance plan increases the incentive to work. A guaranteed income establishes a right without responsibilities; family assistance recognizes a need *and* establishes a responsibility. It provides help to those in need, and in turn requires that those who receive help work to the extent of their capabilities. There is no reason why one person should be taxed so that another can choose to live idly.

In States that now have benefit levels above the Federal floor, family assistance would help ease the States' financial burdens. But in 20 States—those in which proverty is most widespread—the new Federal floor would be above present average benefit levels, and would mean a leap upward for many thousands of families that cannot care for themselves.

Manpower training

Next, let me turn to the job training proposals that are part of our full opportunity concept. America prides itself on being the "land of opportunity." I deeply believe in this ideal.

Full opportunity means the chance for upward mobility on every rung of the economic ladder—and for every American, no matter what his handicaps of birth.

The cold, hard truth is that a child born to a poor family has far less chance to make a good living than a child born to a middle-income family.

He is born poor, fed poorly; and if his family is on welfare, he starts life in an atmosphere of handout and dependency; often he receives little preparation for work and less inspiration. The wonder of the American character is that so many have the spark and drive to fight their way up. But for millions of others, the burden of poverty in early life stifles that spark.

The new family assistance would provide aid for needy families; it would establish a work requirement, and a work incentive; but these in turn require effective programs of job training and job placement—including a chance to qualify not just for any jobs, but for good jobs, that provide both additional self-respect and full self-support.

Therefore, I am also sending a message to Congress calling for a complete overhaul of the nation's manpower training services.

The Federal Government's job training programs have been a terrible tangle of confusion and waste. They are overcentralized, over-categorized; with good reason, many young people wonder why the Federal Government cannot take money out of one program that has too few applicants and use it instead to expand another that has too many. They wonder why they have to accept training programs they have no interest in, instead of ones they care about. They want to be treated as human beings, not cogs in a machine.

To remedy the confusion, arbitrariness and rigidity of the present system, the new Manpower Training Act would basically do three things:

> It would pull together the jumble of programs that currently exist, and equalize standards of eligibility.
>
> It would provide flexible funding—so that Federal money would follow the demands of labor and industry, and flow into those programs that people most want and need.
>
> It would decentralize administration, gradually moving it away from the Washington bureaucracy and turning it over to States and localities.

In terms of its symbolic importance I can hardly overemphasize this last point. ***For the first time, applying the principles of the New Federalism, administration of a major established Federal program would be turned over to the States and local governments,*** recognizing that they are in a position to do the job better.

For years, thoughtful Americans have talked of the need to decentralize government. The time has come to begin.

Federal job training programs have grown to vast proportions, costing more than a billion dollars a year. Yet they are essentially local in character. As long as the Federal Government continues to bear the cost, they can perfectly well be run by States and localities—and that way they can better be adapted to specific State and local needs.

What I propose is not a sudden dumping of these programs on unprepared local authorities, but rather a careful, phased transfer, with benchmarks of readiness and incentives for performance. If States and localities decline to pick up the responsibility, the Federal Government will continue to manage the programs. If they try and fail, the Federal Government can resume the responsibility. We should trust the American capacity for self-government enough to try. The only way to bring about decentralization is to do it, and this is the place to begin.

The Manpower Training Act will have other provisions specifically designed to help move people off welfare rolls and onto payrolls:

> A computerized job bank would be established, to match jobseekers with job vacancies.
>
> For those on welfare, a $30 a month bonus would be offered as an incentive to go into job training.
>
> For heads of families now on welfare, 150,000 new training slots would be opened.
>
> As I mentioned previously, greatly expanded day-care center facilities would be provided for the children of welfare mothers who choose to work. However, these would be day-care centers with a difference. There is no single ideal to which this Administration is more firmly committed than to the enriching of a child's first five years of life, and thus helping lift the poor out of misery at a time when a lift can help the most. Therefore, these day-care centers would offer more than custodial care; they would also be devoted to the development of vigorous young minds and bodies. As a further dividend, the day-care centers would offer employment to many welfare mothers themselves.

Office of Economic Opportunity

One common theme running through my proposals tonight is that of providing full opportunity for every American. A second theme is that of trying to equip every American to play a productive role. A third is the need to make government itself workable—which means reshaping, reforming, innovating.

The Office of Economic Opportunity is an innovative agency—and thus it has a vital place in our efforts to develop new programs and apply new knowledge. But in order to do effectively what it can do best, OEO itself needs reorganization.

In the past, OEO suffered from a confusion of roles, and from a massive attempt to do everything at once, with the same people performing many conflicting functions: coordinating old programs, doing new research, setting up demonstation projects, evaluating results, and serving as advocates for the poor. As a result, inefficiency, waste, and resentment too often clouded the record of even its best accomplishments.

This Administration has made a thorough study of OEO. We have assigned it a leading role in the effort to develop and test new approaches to the solving of social problems. OEO is to be a laboratory agency, where new ideas for helping people are tried on a pilot basis. When these prove successful, they can be "spun off" to operating departments or agencies—just as the space agency, for example, "spun off" the weather satellite and the communications satellite when these proved successful. Then OEO will be free to concentrate on breaking even newer ground.

OEO has a broad charter: not only to help make opportunity real, but to search out ways of making institutions more responsive, and to get behind the effects of poverty to the causes of poverty. These goals are fundamental commitments of this Administration.

The OEO reorganization to be announced next week will stress its innovative role. It also will stress accountability, a clear separation of functions, and a tighter, more effective organization of field operations.

Revenue sharing

We come now to a proposal which I consider profoundly important to the future of our Federal system of shared responsibilities. As we look ahead to the 1970s and the 1980s, it also is vital in terms of ensuring that States and localities can continue to do their part in dealing with the kinds of social problems I have been discussing tonight.

When we speak of poverty or jobs or opportunity, or making government more effective or getting it closer to the people, it brings us directly to the financial plight of our States and cities.

We can no longer have effective government on any level unless we have it on all levels. There is too much to be done for the cities to do it alone, or for the States to do it alone—or for Washington to do it alone.

For a third of a century, power and responsibility have flowed toward Washington—and Washington has taken for its own the best sources of revenue.

We intend to reverse this tide, and to turn back to the States a greater measure of responsibility—not as a way of avoiding problems, but as a better way of solving problems. Along with this should go a share of Federal revenues. I shall propose to the Congress next week that a set portion of the revenues from Federal income taxes be remitted directly to the States—with a minimum of Federal restrictions on how those dollars are to be used, and with a requirement that a percentage of them be channeled through for the use of local governments.

The funds provided under this program will not be great in the first year. But the principle will have been established, and the amounts will increase as our budgetary situation improves.

As we look ahead to the complex tasks of the 70s; as we contemplate the diversity of this vast and varied country, it is clear beyond question that effective, responsive government will require not one center of power, but many. This start on revenue sharing is a step toward the New Federalism. It is a gesture of faith in America's States and localities, and in the principles of democratic self-government.

With this revenue sharing proposal, we follow through on a commitment I made in the last campaign; we follow through on a mandate which the electorate gave us last November—after nearly forty years of moving power from the States to Washington, we begin in America a decade of decentralization, a shifting of power away from the center whenever it can be used better locally.

In recent years, we all have concentrated a great deal of attention on what we commonly call the "crisis of the cities." These proposals I have made are addressed in part to that, but they also are focused much more broadly.

They are addressed to the crisis of government—to adapting its structures and making it manageable.

They are addressed to the crisis of poverty and need—which is rural as well as urban. This Administration is committed to full opportunity on the farm as well as in the city; to a better life for rural America; to ensuring that government is responsive to the needs of rural America. These proposals will advance those goals.

I have discussed these four matters together because together they make both a package and a pattern. They should be studied together, debated together, seen in perspective.

These proposals will be controversial. They also are expensive. Let us face that fact frankly and directly.

The first-year costs of the new family assistance program, including the child care centers and job training, would be $4 billion. I deliberated long and hard over whether we could afford such an outlay. I decided in favor of it for two reasons: because the costs would not begin until fiscal 1971, when I expect the funds to be available; and because I concluded that this is a reform we cannot afford *not* to undertake. The cost of continuing the present system, in financial as well as human terms, is staggering if projected into the 1970s.

Revenue sharing would begin in the middle of fiscal 1971, at a half-year cost of a half billion dollars. This cuts into the Federal budget, but it represents relief for the equally hard-pressed States. It would help curb the rise in State and local taxes.

Overall, we would be spending more—in the short run—to help people who now are poor and who now are unready for work or unable to find work.

I see it this way: Every businessman and every working man knows what "start-up costs" are. They are a heavy investment made in early years, in the expectation that they will more than pay for themselves in future years.

The investment in these proposals is a human investment; it also is a "start-up cost" in turning around our dangerous decline into welfarism. We cannot produce productive people with the antiquated, wheezing, over-loaded machine we now call the welfare system.

If we fail to make this investment in work incentives now, if we merely try to patch up the system here and there, we will only be pouring good money after bad in ever-increasing amounts.

If we do invest in this modernization, the heavily-burdened taxpayer at least will see the light at the end of the tunnel. And the man who now looks ahead only to a lifetime of dependency will see hope for a life of work and pride and dignity.

In the final analysis, we cannot talk our way out of poverty; we cannot legislate our way out of poverty; but this nation can work its way out of poverty. What America needs now is not more welfare but more "workfare."

The task of this government, the great task of our people, is to provide the training for work, the incentive to work, the opportunity to work and the reward for work. Together, these measures are a first long step in that direction.

For those in the welfare system today, or struggling to fight their way out of poverty, these measures offer a way to independence through the dignity of work.

For those able to work, these measures provide new opportunities to learn work and to find work.

For the working poor—the forgotten poor—these measures offer a fair share in the assistance given to the poor.

The new system establishes a direct link between the government's willingness to help the needy, and the willingness of the needy to help themselves.

It removes the present incentive not to work, and substitutes an incentive to work; it removes the present incentive for families to break apart, and substitutes an incentive for families to stay together.

It removes the blatant inequities, injustices and indignities of the welfare system.

It establishes a basic Federal floor, so that children in any State can have at least the minimum essentials of life.

Together, these measures cushion the impact of welfare costs on States and localities, many of which have found themselves in fiscal crisis as costs have spiraled.

They bring reason, order and purpose into a tangle of overlapping programs, and show that government can be made to work.

Poverty will not be defeated by a stroke of a pen signing a check; it will not be reduced to nothing overnight with slogans or ringing exhortations.

Poverty is not only a state of income. It is also a state of mind and a state of health. Poverty must be conquered without sacrificing the will to work, for if we take the route of the permanent handout, the American character will itself be impoverished.

In my recent trip around the world, I visited countries in all stages of economic development; countries with different social systems, different economic systems, different political systems.

In all of them, however, I found that one event had caught their imagination and lifted their spirits almost beyond measure: The trip of Apollo to the Moon and back. On that historic day when the astronauts set foot on the Moon, the Spirit of Apollo 11 truly swept the world—a spirit of peace and brotherhood and adventure, and a spirit that thrilled to the knowlejge that man had dreamed the impossible, dared the impossible and done the impossible.

Abolishing poverty, putting an end to dependency—like reaching for the Moon a generation ago, that may be impossible. But in the Spirit of Apollo, we can lift our sights and marshal our best efforts. We can resolve to make this the year, not that we reached the goal, but that we turned the corner: From a dismal cycle of dependency toward a new birth of independence; from despair toward hope; from an ominously mounting impotence of government toward a new effectiveness of government—and toward a full opportunity for every American to share the bounty of this rich land.

Because of T. V. time limitations there may be minor deletion of this text on delivery. The President stands by the full text as printed above.

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PROPOSALS FOR WELFARE REFORM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO WELFARE REFORM

August 11, 1969.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

To the Congress of the United States:

A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet.

If we do not find the way to become a working nation that properly cares for the dependent, we shall become a Welfare State that undermines the incentive of the working man.

The present welfare system has failed us—it has fostered family breakup, has provided very little help in many States and has even deepened dependency by all-too-often making it more attractive to go on welfare than to go to work.

I propose a new approach that will make it more attractive to go to work than to go on welfare, and will establish a nationwide minimum payment to dependent families with children.

I propose that the Federal government pay a basic income to those American families who cannot care for themselves in whichever State they live.

I propose that dependent families receiving such income be given good reason to go to work *by making the first sixty dollars a month they earn completely their own, with no deductions from their benefits.*.

I propose that we *make available an addition to the incomes of the "working poor,"* to encourage them to go on working and to eliminate the possibility of making more from welfare than from wages.

I propose that these payments be made upon certification of income, with demeaning and costly investigations replaced by simplified reviews and spot checks and with *no eligibility requirement that the household be without a father*. That present requirement in many States has the effect of breaking up families and contributes to delinquency and violence.

I propose that all employable persons who choose to accept these payments be required to register for work or job training and *be required to accept that work or training,* provided suitable jobs are available either locally or if transportation is provided. Adequate and convenient day care would be provided children wherever necessary to enable a parent to train or work. The only exception to this work requirement would be mothers of pre-school children.

I propose *a major expansion of job training and day care facilities,* so that current welfare recipients able to work can be set on the road to self-reliance.

I propose that we also *provide uniform Federal payment minimums for the present three categories of welfare aid to adults*—the aged, the blind and the disabled.

This would be total welfare reform—the transformation of a system frozen in failure and frustration into a system that would work and would encourage people to work.

Accordingly, we have stopped considering human welfare in isolation. The new plan is part of an overall approach which includes a comprehensive new Manpower Training Act, and a plan for a system of revenue sharing with the States to help provide all of them with necessary budget relief. Messages on manpower training and revenue sharing will follow this message tomorrow and the next day, and the three should be considered as parts of a whole approach to what is clearly a national problem.

Need for New Departures

A welfare system is a success when it takes care of people who cannot take care of themselves and when it helps employable people climb toward independence.

A welfare system is a failure when it takes care of those who *can* take care of themselves, when it drastically varies payments in different areas, when it breaks up families when it perpetuates a vicious cycle of dependency, when it strips human beings of their dignity.

America's welfare system is a failure that grows worse every day.

First, it fails the recipient: In many areas, benefits are so low that we have hardly begun to take care of the dependent. And there has been no light at the end of poverty's tunnel. After four years of inflation, the poor have generally become poorer.

Second, it fails the taxpayer: Since 1960, welfare costs have doubled and the number on the rolls has risen from 5.8 million to over 9 million, all in a time when unemployment was low. The taxpayer is entitled to expect government to devise a system that will help people lift themselves out of poverty.

Finally, it fails American society: By breaking up homes, the present welfare system has added to social unrest and robbed millions of children of the joy of childhood; by widely varying payments among regions, it has helped to draw millions into the slums of our cities.

The situation has become intolerable. Let us examine the alternatives available:

—We could permit the welfare momentum to continue to gather speed by our inertia; by 1975 this would result in 4 million more Americans on welfare rolls at a cost of close to 11 billion dollars a year, with both recipients and taxpayers shortchanged.

—We could tinker with the system as it is, adding to the patchwork of modifications and exceptions. That has been the approach of the past, and it has failed.

—We could adopt a "guaranteed minimum income for everyone," which would appear to wipe out poverty overnight. It would also wipe out the basic economic motivation for work, and place an enormous strain on the industrious to pay for the leisure of the lazy.

—Or, we could adopt a totally new approach to welfare, designed to assist those left far behind the national norm, and provide all with the motivation to work and a fair share of the opportunity to train.

This Administration, after a careful analysis of all the alternatives, is committed to a new departure that will find a solution for the welfare problem. The time for denouncing the old is over; the time for devising the new is now.

Recognizing the Practicalities

People usually follow their self-interest.

This stark fact is distressing to many social planners who like to look at problems from the top down. Let us abandon the ivory tower and consider the real world in all we do.

In most States, welfare is provided only when there is no father at home to provide support. If a man's children would be better off on welfare than with the low wage he is able to bring home, wouldn't he be tempted to leave home?

If a person spent a great deal of time and effort to get on the welfare rolls, wouldn't he think twice about risking his eligibility by taking a job that might not last long?

In each case, welfare policy was intended to limit the spread of dependency; in practice, however, the effect has been to increase dependency and remove the incentive to work.

We fully expect people to follow their self-interest in their business dealings; why should we be surprised when people follow their self-interest in their welfare dealings? That is why we propose a plan in which it is in the interest of every employable person to do his fair share of work.

The Operation of the New Approach

1. *We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children.* For a family of four with less than $1,000 income, this payment would be $1600 a year; for a family of four with $2,000 income, this payment would supplement that income by $960 a year.

Under the present welfare system, each State provides "Aid to Families with Dependent Children," a program we propose to replace. The Federal government shares the cost, but each State establishes key eligibility rules and determines how much income support will be provided to poor families. The result has been an uneven and unequal system. The 1969 benefits average for a family of four is $171 a month across the Nation, but individual State averages range from $263 down to $39 a month.

A new Federal minimum of $1600 a year cannot claim to provide comfort to a family of four, but the present low of $468 a year cannot claim to provide even the basic necessities.

The new system would do away with the inequity of very low benefit levels in some States, and of State-by-State variations in eligibility tests, by establishing a Federally-financed income floor with a national definition of basic eligibility.

States will continue to carry an important responsibility. In 30 States the Federal basic payment will be less than the present levels of combined Federal and State payments. These States will be required to maintain the current level of benefits, but in no case will a State be required to spend more than 90% of its present welfare cost. The Federal government will not only provide the "floor," but it will assume 10% of the benefits now being paid by the States as their part of welfare costs.

In 20 States, the new payment would exceed the present average benefit payments, in some cases by a wide margin. In these States, where benefits are lowest and poverty often the most severe, the payments will raise benefit levels substantially. For 5 years, every State will be required to continue to spend at least half of what they are now spending on welfare, to supplement the Federal base.

For the *typical "welfare family"*—a mother with dependent children and no outside income—the new system would provide a basic national minimum payment. A mother with three small children would be assured an annual income of at least $1600.

For the *family headed by an employed father or working mother*, the same basic benefits would be received, but $60 per month of earnings would be "disregarded" in order to make up the costs of working and provide a strong advantage in holding a job. The wage earner could also keep 50% of his benefits as his earnings rise above that $60 per month. A family of four, in which the father earns $2,000 in a year, would receive payments of $960, for a total income of $2,960.

For the *aged, the blind and the disabled*, the present system varies benefit levels from $40 per month for an aged person in one State to $145 per month for the blind in another. The new system would establish a minimum payment of $65 per month for all three of these adult categories, with the Federal government contributing the first $50 and sharing in payments above that amount. This will raise the share of the financial burden borne by the Federal government for payments to these adults who cannot support themselves, and should pave the way for benefit increases in many States.

For the *single adult* who is not handicapped or aged, or for the *married couple without children*, the new system would not apply. Food stamps would continue to be available up to $300 per year per person, according to the plan I outlined last May in my message to the Congress on the food and nutrition needs of the population in poverty. For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments.

2. *The new approach would end the blatant unfairness of the welfare system.*

In over half the States, families headed by unemployed men do not qualify for public assistance. In no State does a family headed by a father working full-time receive help in the current welfare system, no matter how little he earns. As we have seen, this approach to dependency has itself been a cause of dependency. It results in a policy that tends to force the father out of the house.

The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to *all* dependent families with children, without regard to whether the family is headed by a man or a woman. The effects of these changes upon human behavior would be an increased will to work, the survival of more marriages, the greater stability of families. We are determined to stop passing the cycle of dependency from generation to generation.

The most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty. Families headed by a non-worker often receive more from welfare than families headed by a husband working full-time at very low wages. This has been rightly resented by the working poor, for the rewards are just the opposite of what they should be.

3. *The new plan would create a much stronger incentive to work.*

For people now on the welfare rolls, the present system discourages the move from welfare to work by cutting benefits too fast and too much as earnings begin. *The new system would encourage work by allowing the new worker to retain the first $720 of his yearly earnings without any benefit reduction.*

For people already working, but at poverty wages, the present system often encourages nothing but resentment and an incentive to quit and go on relief where that would pay more than work. The new plan, on the contrary, would provide a supplement that will help a low-wage worker—struggling to make ends meet—achieve a higher standard of living.

For an employable person who just chooses not to work, neither the present system nor the one we propose would support him, though both would continue to support other dependent members in his family.

However, a welfare mother with pre-school children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of pre-school children must accept work. Those who can work and desire to do so, however, should have the opportunity for jobs and job training and access to day care centers for their children; this will enable them to support themselves after their children are grown.

A family with a member who gets a job would be permitted to retain all of the *first $60 monthly income*, amounting to $720 per year for a regular worker, *with no reduction of Federal payments.* The incentive to work in this provision is obvious. But there is another practical reason: Going to work costs money. Expenses such as clothes, transportation, personal care, Social Security taxes and loss of income from odd jobs amount to substantial costs for the average family. Since a family does not begin to *add* to its net income until it surpasses the cost of working, in fairness this amount should not be subtracted from the new payment.

After the first $720 of income, the *rest* of the earnings will result in a systematic reduction in payments.

I believe the vast majority of poor people in the United States prefer to work rather than have the government support their families. In 1968, 600,000 families left the welfare rolls out of an average caseload of 1,400,000 during the year, showing a considerable turnover, much of it voluntary.

However, there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a "free ride" in a nation that provides opportunity for training and work.

4. *The bridge from welfare to work should be buttressed by training and child care programs.* For many, the incentives to work in this plan would be all that is necessary. However, there are other situations where these incentives need to be supported by measures that will overcome other barriers to employment.

I propose that funds be provided for expanded training and job development programs so that an additional 150,000 welfare recipients can become jobworthy during the first year.

Manpower training is a basic bridge to work for poor people, especially people with limited education, low skills and limited job experience. Manpower training programs can provide this bridge for many of our poor. In the new Manpower Training proposal to be sent to the Congress this week, the interrelationship with this new approach to welfare will be apparent.

I am also requesting authority, as a part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained.

The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation.

The expanded child care program would bring new opportunities along several lines: opportunities for the further involvement of private enterprise in providing high quality child care service; opportunities for volunteers; and opportunities for *training and employment in child care centers of many of the welfare mothers themselves.*

I am requesting a total of $600 million additional to fund these expanded training programs and child care centers.

5. *The new system will lessen welfare red tape and provide administrative cost savings.* To cut out the costly investigations so bitterly resented as "welfare snooping," the Federal payment will be based upon a certification of income, with spot checks sufficient to prevent abuses. The program will be administered on an automated basis, using the information and technical experience of the Social Security Administration, but, of course, will be entirely separate from the administration of the Social Security trust fund.

The States would be given the option of having the Federal Government handle the payment of the State supplemental benefits on a reimbursable basis, so that they would be spared their present administrative burdens and so a single check could be sent to the recipient. These simplifications will save money and eliminate indignities; at the same time, welfare fraud will be detected and lawbreakers prosecuted.

6. *This new departure would require a substantial initial investment, but will yield future returns to the Nation.* This transformation of the welfare system will set in motion forces that will lessen dependency rather than perpetuate and enlarge it. A more productive population adds to real economic growth without inflation. The initial investment is needed now to stop the momentum of work-to-welfare, and to start a new momentum in the opposite direction.

The costs of welfare benefits for families with dependent children have been rising alarmingly the past several years, increasing from $1 billion in 1960 to an estimated $3.3 billion in 1969, of which $1.8 billion is paid by the Federal government, and $1.5 billion is paid by the States. Based on current population and income data, the proposals I am making today will increase Federal costs during the first year by an estimated $4 billion, which includes $600 million for job training and child care centers.

The "start-up costs" of lifting many people out of dependency will ultimately cost the taxpayer far less than the chronic costs—in dollars and in national values—of creating a permanent under-class in America.

From Welfare to Work

Since this Administration took office, members of the Urban Affairs Council, including officials of the Department of Health, Education, and Welfare, the Department of Labor, the Office of Economic Opportunity, the Bureau of the Budget, and other key advisers, have been working to develop a coherent, fresh approach to welfare, manpower training and revenue sharing.

I have outlined our conclusions about an important component of this approach in this message; the Secretary of HEW will transmit to the Congress the proposed legislation after the summer recess.

I urge the Congress to begin its study of these proposals promptly so that laws can be enacted and funds authorized to begin the new system as soon as possible. Sound budgetary policy must be maintained in order to put this plan into effect—especially the portion supplementing the wages of the working poor.

With the establishment of the new approach, the Office of Economic Opportunity will concentrate on the important task of finding new ways of opening economic opportunity for those who are able to work. Rather than focusing on income support activities, it must find means of providing opportunities for individuals to contribute to the full extent of their capabilities, and of developing and improving those capabilities.

This would be the effect of the transformation of welfare into "workfare," a new work-rewarding system:

For the first time, all dependent families with children in America, regardless of where they live, would be assured of minimum standard payments based upon uniform and single eligibility standards.

For the first time, the more than two million families who make up the "working poor" would be helped toward self-sufficiency and away from future welfare dependency.

For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations.

For the first time, the Federal government would make a strong contribution toward relieving the financial burden of welfare payments from State governments.

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

These are far-reaching effects. They cannot be purchased cheaply, or by piecemeal efforts. This total reform looks in a new direction; it requires new thinking, a new spirit and a fresh dedication to reverse the downhill course of welfare. In its first year, more than half the families participating in the program will have one member working or training.

We have it in our power to raise the standard of living and the realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect.

RICHARD NIXON.

THE WHITE HOUSE, *August 11, 1969*.

APPENDIX

PROPOSED BENEFIT SCHEDULE (EXCLUDING ALL STATE BENEFITS)

Earned income	New benefit	Total income
0	$1,600	$1,600
$500	1,600	2,100
$1,000	1,460	2,460
$1,500	1,210	2,710
$2,000	960	2,960
$2,500	710	3,210
$3,000	460	3,460
$3,500	210	3,710
$4,000	0	4,000

Note: For a 4-person family, with a basic payment standard of $1,600 and an earned income disregard of $720.

[H. Doc. 91-146, 91st Cong., first sess.]

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—We could tinker with the system as it is, adding to the patchwork of modifications and exceptions. That has been the approach of the past, and it has failed.

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Recognizing the Practicalities

People usually follow their self-interest.

This stark fact is distressing to many social planners who like to look at problems from the top down. Let us abandon the ivory tower and consider the real world in all we do.

In most States, welfare is provided only when there is no father at home to provide support. If a man's children would be better off on welfare than with the low wage he is able to bring home, wouldn't he be tempted to leave home?

If a person spent a great deal of time and effort to get on the welfare rolls, wouldn't he think twice about risking his eligibility by taking a job that might not last long?

In each case, welfare policy was intended to limit the spread of dependency; in practice, however, the effect has been to increase dependency and remove the incentive to work.

We fully expect people to follow their self-interest in their business dealings; why should we be surprised when people follow their self-interest in their welfare dealings? That is why we propose a plan in which it is in the interest of every employable person to do his fair share of work.

The Operation of the New Approach

1. *We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children.* For a family of four with less than $1,000 income, this payment would be $1600 a year; for a family of four with $2,000 income, this payment would supplement that income by $960 a year.

Under the present welfare system, each State provides "Aid to Families with Dependent Children," a program we propose to replace. The Federal government shares the cost, but each State establishes key eligibility rules and determines how much income support will be provided to poor families. The result has been an uneven and unequal system. The 1969 benefits average for a family of four is $171 a month across the Nation, but individual State averages range from $263 down to $39 a month.

A new Federal minimum of $1600 a year cannot claim to provide comfort to a family of four, but the present low of $468 a year cannot claim to provide even the basic necessities.

The new system would do away with the inequity of very low benefit levels in some States, and of State-by-State variations in eligibility tests, by establishing a Federally-financed income floor with a national definition of basic eligibility.

States will continue to carry an important responsibility. In 30 States the Federal basic payment will be less than the present levels of combined Federal and State payments. These States will be required to maintain the current level of benefits, but in no case will a State be required to spend more than 90% of its present welfare cost. The Federal government will not only provide the "floor," but it will assume 10% of the benefits now being paid by the States as their part of welfare costs.

In 20 States, the new payment would exceed the present average benefit payments, in some cases by a wide margin. In these States, where benefits are lowest and poverty often the most severe, the payments will raise benefit levels substantially. For 5 years, every State will be required to continue to spend at least half of what they are now spending on welfare, to supplement the Federal base.

For the *typical "welfare family"*—a mother with dependent children and no outside income—the new system would provide a basic national minimum payment. A mother with three small children would be assured an annual income of at least $1600.

For the *family headed by an employed father or working mother*, the same basic benefits would be received, but $60 per month of earnings would be "disregarded" in order to make up the costs of working and provide a strong advantage in holding a job. The wage earner could also keep 50% of his benefits as his earnings rise above that $60 per month. A family of four, in which the father earns $2,000 in a year, would receive payments of $960, for a total income of $2,960.

For the *aged, the blind and the disabled*, the present system varies benefit levels from $40 per month for an aged person in one State to $145 per month for the blind in another. The new system would establish a minimum payment of $65 per month for all three of these adult categories, with the Federal government contributing the first $50 and sharing in payments above that amount. This will raise the share of the financial burden borne by the Federal government for payments to these adults who cannot support themselves, and should pave the way for benefit increases in many States.

For the *single adult* who is not handicapped or aged, or for the *married couple without children*, the new system would not apply. Food stamps would continue to be available up to $300 per year per person, according to the plan I outlined last May in my message to the Congress on the food and nutrition needs of the population in poverty. For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments.

2. *The new approach would end the blatant unfairness of the welfare system.*

In over half the States, families headed by unemployed men do not qualify for public assistance. In no State does a family headed by a father working full-time receive help in the current welfare system, no matter how little he earns. As we have seen, this approach to dependency, has itself been a cause of dependency. It results in a policy that tends to force the father out of the house.

The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to *all* dependent families with children, without regard to whether the family is headed by a man or a woman. The effects of these changes upon human behavior would be an increased will to work, the survival of more marriages, the greater stability of families. We are determined to stop passing the cycle of dependency from generation to generation.

The most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty. Families headed by a nonworker often receive more from welfare than families headed by a husband working full-time at very low wages. This has been rightly resented by the working poor, for the rewards are just the opposite of what they should be.

3. *The new plan would create a much stronger incentive to work.*

For people now on the welfare rolls, the present system discourages the move from welfare to work by cutting benefits too fast and too much as earnings begin. *The new system would encourage work by allowing the new worker to retain the first $720 of his yearly earnings without any benefit reduction.*

For people already working, but at poverty wages, the present system often encourages nothing but resentment and an incentive to quit and go on relief where that would pay more than work. The new plan, on the contrary, would provide a supplement that will help a low-wage worker—struggling to make ends meet—achieve a higher standard of living.

For an employable person who just chooses not to work, neither the present system nor the one we propose would support him, though both would continue to support other dependent members in his family.

However, a welfare mother with pre-school children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of preschool children must accept work. Those who can work and desire to do so, however, should have the opportunity for jobs and job training and access to day care centers for their children; this will enable them to support themselves after their children are grown.

A family with a member who gets a job would be permitted to retain all of the *first $60 monthly income*, amounting to $720 per year for a regular worker, *with no reduction of Federal payments.* The incentive to work in this provision is obvious. But there is another practical reason: Going to work costs money. Expenses such as clothes, transportation, personal care, Social Security taxes and loss of income from odd jobs amount to substantial costs for the average family. Since a family does not begin to *add* to its net income until it surpasses the cost of working, in fairness this amount should not be subtracted from the new payment.

After the first $720 of income, the *rest* of the earnings will result in a systematic reduction in payments.

I believe the vast majority of poor people in the United States prefer to work rather than have the government support their families. In 1968, 600,000 families left the welfare rolls out of an average caseload of 1,400,000 during the year, showing a considerable turnover, much of it voluntary.

However, there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a "free ride" in a nation that provides opportunity for training and work.

4. *The bridge from welfare to work should be buttressed by training and child care programs.* For many, the incentives to work in this plan would be all that is necessary. However, there are other situations where these incentives need to be supported by measures that will overcome other barriers to employment.

I propose that funds be provided for expanded training and job development programs so that an additional 150,000 welfare recipients can become jobworthy during the first year.

Manpower training is a basic bridge to work for poor people, especially people with limited education, low skills and limited job experience. Manpower training programs can provide this bridge for many of our poor. In the new Manpower Training proposal to be sent to the Congress this week, the interrelationship with this new approach to welfare will be apparent.

I am also requesting authority, as a part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained.

The child care I propose is more than custodial. This administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation.

The expanded child care program would bring new opportunities along several lines; opportunities for the further involvement of private enterprise in providing high quality child care service; opportunities for volunteers; and opportunities for *training and employment in child care centers of many of the welfare mothers themselves.*

I am requesting a total of $600 million additional to fund these expanded training programs and child care centers.

5. *The new system will lessen welfare red tape and provide administrative cost savings.* To cut out the costly investigations so bitterly resented as "welfare snooping," the Federal payment will be based upon a certification of income, with spot checks sufficient to prevent abuses. The program will be administered on an automated basis; using the information and technical experience of the Social Security Administration but, of course, will be entirely separate from the administration of the Social Security trust fund.

The States would be given the option of having the Federal Government handle the payment of the State supplemental benefits on a reimbursable basis, so that they would be spared their present administrative burdens and so a single check could be sent to the recipient. These simplifications will have money and eliminate indignities; at the same time, welfare fraud will be detected and lawbreakers prosecuted.

6. *This new departure would require a substantial initial investment, but will yield future returns to the Nation.* This transformation of the welfare system will set in motion forces that will lessen dependency rather than perpetuate and enlarge it. A more productive population adds to real economic growth without inflation. The initial investment is needed now to stop the momentum of work-to-welfare, and to start a new momentum in the opposite direction.

The costs of welfare benefits for families with dependent children have been rising alarmingly the past several years, increasing from $1 billion in 1960 to an estimated $3.3 billion in 1969, of which $1.8 billion is paid by the Federal government, and $1.5 billion is paid by the States. Based on current population and income data, the proposals I am making today will increase Federal costs during the first year by an estimated $4 billion, which includes $600 million for job training and child care centers.

The "start-up costs" of lifting many people out of dependency will ultimately cost the taxpayer far less than the chronic costs—in dollars and in national values—of creating a permanent under-class in America.

From Welfare to Work

Since this Administration took office, members of the Urban Affairs Council, including officials of the Department of Health, Education, and Welfare, the Department of Labor, the Office of Economic Opportunity, the Bureau of the

Budget, and other key advisers, have been working to develop a coherent, fresh approach to welfare, manpower training and revenue sharing.

I have outlined our conclusions about an important component of this approach in this message; the Secretary of HEW will transmit to the Congress the proposed legislation after the summer recess.

I urge the Congress to begin its study of these proposals promptly so that laws can be enacted and funds authorized to begin the new system as soon as possible. Sound budgetary policy must be maintained in order to put this plan into effect—especially the portion supplementing the wages of the working poor.

With the establishment of the new approach, the Office of Economic Opportunity will concentrate on the important task of finding new way of opening economic opportunity for those who are able to work. Rather than focusing on income support activities, it must find means of providing opportunities for individuals to contribute to the full extent of their capabilities, and of developing and improving these capabilities.

This would be the effect of the transformation of welfare into "workfare," a new work-rewarding system:

For the first time, all dependent families with children in America, regardless of where they live, would be assured of minimum standard payments based upon uniform and single eligibility standards.

For the first time, the more than two million families who make up the "working poor" would be helped toward self-sufficiency and away from future welfare dependency.

For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations.

For the first time, the Federal government would make a strong contribution toward relieving the financial burden of welfare payments from State governments.

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

These are far-reaching effects. They cannot be purchased cheaply, or by piecemeal efforts. This total reform looks in a new direction; it requires new thinking, a new spirit and a fresh dedication to reverse the downhill course of welfare. In its first year, more than half the families participating in the program will have one member working or training.

We have it in our power to raise the standard of living and the realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect.

RICHARD NIXON.

THE WHITE HOUSE, *August 11, 1969.*

APPENDIX

PROPOSED BENEFIT SCHEDULE (EXCLUDING ALL STATE BENEFITS)

Earned income	New benefit	Total income
0	$1,600	$1,600
$500	1,600	2,100
$1,000	1,460	2,460
$1,500	1,210	2,710
$2,000	960	2,960
$2,500	710	3,210
$3,000	460	3,460
$3,500	210	3,710
$4,000	0	4,000

Note: For a 4-person family, with a basic payment standard of $1,600 and an earned income disregard of $720.

91st CONGRESS
2d Session

H. R. 16311

IN THE SENATE OF THE UNITED STATES

April 21, 1970

Under the order of April 20, 1970, received, considered as having been read twice, and referred to the Committee on Finance

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AN ACT

To authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Family Assistance Act of 1970".

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TITLE I—FAMILY ASSISTANCE PLAN

ESTABLISHMENT OF FAMILY ASSISTANCE PLAN

SEC. 101. Title IV of the Social Security Act (42 U.S.C. 601 et seq.) is amended by adding after part C the following new parts:

"PART D—FAMILY ASSISTANCE PLAN

"APPROPRIATIONS

"SEC. 441. For the purpose of providing a basic level of financial assistance throughout the Nation to needy families with children, in a manner which will strengthen family life, encourage work training and self-support, and enhance personal dignity, there is authorized to be appropriated for each fiscal year a sum sufficient to carry out this part.

"ELIGIBILITY FOR AND AMOUNT OF FAMILY ASSISTANCE BENEFITS

"Eligibility

"SEC. 442. (a) Each family (as defined in section 445)—

"(1) whose income, other than income excluded pursuant to section 443 (b), is less than—

"(A) $500 per year for each of the first two members of the family, plus

"(B) $300 per year for each additional member, and

"(2) whose resources, other than resources excluded pursuant to section 444, are less than $1,500,

shall, in accordance with and subject to the other provisions of this title, be paid a family assistance benefit.

"Amount

"(b) The family assistance benefit for a family shall be payable at the rate of—

"(1) $500 per year for each of the first two members of the family, plus

"(2) $300 per year for each additional member, reduced by the amount of income, not excluded pursuant to section 443 (b), of the members of the family.

"Period for Determination of Benefits

"(c) (1) A family's eligibility for and its amount of family assistance benefits shall be determined for each quarter of a calendar year. Such determination shall be made on the basis of the Secretary's estimate of the family's income for such quarter, after taking into account income for a preceding period and any modifications in income which are likely to occur on the basis of changes in conditions or circumstances. Eligibility for and the amount of benefits of a family for any quarter shall be redetermined at such time or times as may be provided by the Secretary, such redetermination to be effective prospectively.

"(2) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit.

"(3) The Secretary may, in accordance with regulations, prescribe the cases in which and the extent to which income received in one period (or expenses incurred in one period in earning income) shall, for purposes of determining eligibility for and amount of family assistance benefits, be considered as received (or incurred) in another period or periods.

"Special Limits on Gross Income

"(d) The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits.

"Puerto Rico, the Virgin Islands, and Guam

"(e) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"INCOME

"Meaning of Income

"SEC. 443. (a) For purposes of this part, income means both earned income and unearned income; and—

"(1) earned income means only—

"(A) remuneration for services performed as an employee (as defined in section 210(j)), other than remuneration to which section 209 (b), (c), (d), (f), or (k), or section 211, would apply; and

"(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following clause (C) of subsection (a) (9)), including earnings for services described in paragraphs (4), (5), and (6) of subsection (c); and

"(2) unearned income means all other income, including—

"(A) any payments received as an annuity, pension, retirement, or disability benefit, including veteran's or workmen's compensation and old-age, survivors, and disability insurance, railroad retirement, and unemployment benefits;

"(B) prizes and awards;

"(C) the proceeds of any life insurance policy;

"(D) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(E) rents, dividends, interest, and royalties.

"Exclusions From Income

"(b) In determining the income of a family there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(2) (A) the total unearned income of all members of a family in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter, and (B) the total earned income of all members of a family in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter;

"(3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment, or self-employment;

"(4) the first $720 per year (or proportionately smaller amounts for shorter periods) of the total of earned income (not excluded by the preceding paragraphs of this subsection) of all members of the family plus one-half of the remainder thereof;

"(5) food stamps or any other assistance (except veterans' pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency, or by any private charitable agency or organization (as determined by the Secretary);

"(6) allowances under section 432 (a);

"(7) any portion of a scholarship or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution; and

"(8) home produce of a member of the family utilized by the household for its own consumption.

"RESOURCES

"Exclusions From Resources

"SEC. 444. (a) In determining the resources of a family there shall be excluded—

"(1) the home, household goods, and personal effects; and

"(2) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion.

“Disposition of Resources

“(b) The Secretary shall prescribe regulations applicable to the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining a family’s eligibility for family assistance benefits. Any portion of the family’s benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

“MEANING OF FAMILY AND CHILD

“Composition of Family

“SEC. 445. (a) Two or more individuals—

“(1) who are related by blood, marriage, or adoption,

“(2) who are living in a place of residence maintained by one or more of them as his or their own home,

“(3) who are residents of the United States, and

“(4) at least one of whom is a child who (A) is not married to another of such individuals and

(B) is in the care of or dependent upon another of such individuals,

shall be regarded as a family for purposes of this part and parts A, C, and E. A parent (of a child living in a place of residence referred to in paragraph (2)), or a spouse of such a parent, who is determined by the Secretary to be temporarily absent from such place of residence for the purpose of engaging in or seeking employment or self-employment (including military service) shall nevertheless be considered (for purposes of paragraph (2)) to be living in such place of residence.

"Definition of Child

"(b) For purposes of this part and parts C and E, the term 'child' means an individual who is (1) under the age of eighteen, or (2) under the age of twenty-one and (as determined by the Secretary under regulations) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Determination of Family Relationships

"(c) In determining whether an individual is related to another individual by blood, marriage, or adoption, appropriate State law shall be applied.

"Income and Resources of Noncontributing Adult

"(d) For purposes of determining eligibility for and the amount of family assistance benefits for any family there shall be excluded the income and resources of any individual, other than a parent of a child (or a spouse of a parent), which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family; and for such purposes such individual—

"(1) in the case of a child, shall be regarded as a member of the family for purposes of determining the family's eligibility for such benefits but not for purposes of determining the amount of such benefits, and

"(2) in any other case, shall not be considered a member of the family for any purpose.

"Recipients of Aid to the Aged, Blind, and Disabled Ineligible

"(e) If an individual is receiving aid to the aged, blind, and disabled under a State plan approved under title XVI, or if his needs are taken into account in determining the need of another person receiving such aid, then, for the period for which such aid is received, such individual shall not be regarded as a member of a family for purposes of determining the amount of the family assistance benefits of the family.

"PAYMENTS AND PROCEDURES

"Payments of Benefits

"**SEC. 446.** (a) (1) Family assistance benefits shall be paid at such time or times and in such installments as the

Secretary determines will best effectuate the purposes of this title.

"(2) Payment of the family assistance benefit of any family may be made to any one or more members of the family, or, if the Secretary deems it appropriate, to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

"(3) The Secretary may by regulation establish ranges of incomes within which a single amount of family assistance benefit shall apply.

"Overpayments and Underpayments

"(b) Whenever the Secretary finds that more or less than the correct amount of family assistance benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to the family or by recovery from or payment to any one or more of the individuals who are or were members thereof. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part.

"Hearings and Review

"(c) (1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be a member of a family and is in disagreement with any determination under this part with respect to eligibility of the family for family assistance benefits, the number of members of the family, or the amount of the benefits, if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received. Until a determination is made on the basis of such hearing or upon disposition of the matter through default, withdrawal of the request by the individual, or revision of the initial determination by the Secretary, any amounts which are payable (or would be payable but for the matter in disagreement) to any individual who has been determined to be a member of such family shall continue to be paid; but any amounts so paid for periods prior to such determination or disposition shall be considered overpayments to the extent they would not have been paid had such determination or disposition occurred at the same time as the Secretary's initial determination on the matter in disagreement.

"(2) Determination on the basis of such hearing shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determinations under section 205; except that the determination of the Secretary after such hearing as to any fact shall be final and conclusive and not subject to review by any court.

"Procedures; Prohibition of Assignments

"(d) The provisions of sections 206 and 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"Applications and Furnishing of Information by Families

"(e) (1) The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications. the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits.

"(2) In order to encourage prompt reporting of events and changes in circumstances relevant to eligibility for or amount of family assistance benefits, and more accurate estimates of expected income or expenses by members of families for purposes of such eligibility and amount of benefits, the Secretary may prescribe the cases in which and the extent to which—

"(A) failure to so report or delay in so reporting, or

"(B) inaccuracy of information which is furnished by the members and on which the estimates of income or expenses for such purposes are based,

will result in treatment as overpayments of all or any portion of payments of such benefits for the period involved.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of family assistance benefits, or verifying other information with respect thereto.

"REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

"SEC. 447. (a) Every individual who is a member of a family which is found to be eligible for family assistance benefits, other than a member to whom the Secretary finds paragraph (1), (2), (3), (4), or (5) of subsection (b) applies, shall register for manpower services, training, and employment with the local public employment office of the State as provided by regulations of the Secretary of Labor. If and for so long as any such individual is found by the Secretary of Health, Education, and Welfare to have failed to so register, he shall not be regarded as a member of a family but his income which would otherwise be counted under this part as income of a family shall be so counted; except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member for purposes of determination of the family's eligibility for family assistance benefits, but not (except for counting his income) for purposes of determination of the amount of such benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provide for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

"(b) An individual shall not be required to register pursuant to subsection (a) if the Secretary determines that such individual is—

"(1) unable to engage in work or training by reason of illness, incapacity, or advanced age;

"(2) a mother or other relative of a child under the age of six who is caring for such child;

"(3) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by paragraph (1), (2), (4), or (5) of this subsection (unless the second sentence of subsection (a), or section 448 (a), is applicable to him);

"(4) a child who is under the age of sixteen or meets the requirements of section 445 (b) (2); or

"(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household.

An individual who would, but for the preceding sentence, be required to register pursuant to subsection (a), may, if he wishes, register as provided in such subsection.

"(c) The Secretary shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate in the case of (1) individuals registered pursuant to subsection (a) who are, pursuant to such registration, participating in manpower services, training, or employment, and (2) individuals referred pursuant to subsection (d) who are, pursuant to such referral, participating in vocational rehabilitation.

"(d) In the case of any member of a family receiving family assistance benefits who is not required to register pursuant to subsection (a) because of such member's incapacity, the Secretary shall make provision for referral of such member to the appropriate State agency administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases involving permanent incapacity as the Secretary may determine) for a review not less often than quarterly of such member's incapacity and his need for and utilization of the rehabilitation services made available to him under such plan. If and for so long as such member is found by the Secretary to have refused without good cause to accept rehabilitation services available to him under such plan, he shall be treated as an individual to whom subsection (a) is applicable by reason of refusal to accept or participate in employment or training.

"DENIAL OF BENEFITS IN CASE OF REFUSAL OF MANPOWER SERVICES, TRAINING, OR EMPLOYMENT

"SEC. 448. (a) For purposes of determining eligibility for and amount of family assistance benefits under this part, an individual who has registered as required under section 447(a) shall not be regarded as a member of a family, but his income which would otherwise be counted as income of the family under this part shall be so counted, if and for so long as he has been found by the Secretary of Labor, after reasonable notice and opportunity for hearing (which shall be held in the same manner and subject to the same conditions as a hearing under section 446(c) (1) and (2)), to have refused without good cause to participate or continue to participate in manpower services, training, or employment, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the Secretary of Labor, after notification by such employer or otherwise, to be a bona fide offer of employment; except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member of the family for purposes of determination of the family's eligibility for benefits, but not (except for counting his income) for the purposes of determination of the amount of its benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provided for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

"(b) No family shall be denied benefits under this part, or have its benefits under this part reduced, because an individual who is (or would, but for subsection (a), be) a member of such family refuses work under any of the following conditions:

"(1) if the position offered is vacant due directly to a strike, lockout, or other labor dispute;

"(2) if the wages, hours, or other terms or conditions of the work offered are contrary to or less than those prescribed by Federal, State, or local law or are substantially less favorable to the individual than those prevailing for similar work in the locality;

"(3) if, as a condition of being employed, the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization; or

"(4) if the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work that would better enable him to achieve self-sufficiency.

"TRANSFER OF FUNDS FOR ON-THE-JOB TRAINING PROGRAMS

"SEC. 449. The Secretary shall, pursuant to and to the extent provided by agreement with the Secretary of Labor, pay to the Secretary of Labor amounts which he estimates would be paid as family assistance benefits under this part to individuals participating in public or private employer compensated on-the-job training under a program of the Secretary of Labor if they were not participating in such training. Such amounts shall be available to pay the costs of such programs.

“PART E—STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

“PAYMENTS UNDER TITLES IV, V, XVI, AND XIX CONDITIONED ON SUPPLEMENTATION

“SEC. 451. In order for a State to be eligible for payments pursuant to title V, XVI, or XIX, or part A or B of this title, with respect to expenditures for any quarter beginning on or after the date this part becomes effective with respect to such State, it must have in effect an agreement with the Secretary under which it will make supplementary payments, as provided in this part, to any family other than a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed.

“ELIGIBILITY FOR AND AMOUNT OF SUPPLEMENTARY PAYMENTS

“SEC. 452. (a) Eligibility for and amount of supplementary payments under the agreement with any State under this part shall, subject to the succeeding provisions of this section, be determined by application of the provisions of, and rules and regulations under, sections 442 (a) (2), (c), and (d), 443 (a), 444, 445, 446 (to the extent the Secretary deems appropriate), 447, and 448, and by application of the standard for determining need under the plan of such State as in effect for January 1970 (which standard complies with the requirements for approval under part A as in effect for such month) or, if lower, a standard equal to the applicable poverty level determined pursuant to section 453 (c) and in effect at the time of such payments, or such higher standard of need as the State may apply, with the resulting amount reduced by the family assistance benefit payable under part D and further reduced by any other income (earned or unearned) not excluded under section 443 (b) (except paragraph (4) thereof) or under subsection (b) of this section; but in making such determination the State may impose limitations on the amount of aid paid to the extent that such limitations (in combination with other provisions of the plan) are no more stringent in result than those imposed under the plan of such State as in effect for such month. In the case of any State which provides for meeting less than 100 per centum of its standard of need or provides for considering less than 100 per centum of requirements in determining need, the Secretary shall prescribe by regulation the method or methods for achieving as nearly as possible the results provided for under the foregoing provisions of this subsection.

"(b) For purposes of determining eligibility for and amount of supplementary payments to a family for any period pursuant to an agreement under this part, in the case of earned income to which paragraph (4) of section 443 (b) applies, there shall be disregarded $720 per year (or proportionately smaller amounts for shorter periods), plus—

(1) one-third of the portion of the remainder of earnings which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income, plus

(2) one-fifth (or more if the Secretary by regulation so prescribes) of the balance of the earnings.

For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108 (e).

"(c) The agreement with a State under this part shall—

"(1) provide that it shall be in effect in all political subdivisions of the State;

"(2) provide for the establishment or designation of a single State agency to carry out or supervise the carrying out of the agreement in the State;

"(3) provide for granting an opportunity for a fair hearing before the State agency carrying out the agreement to any individual whose claim for supplementary payments is denied or is not acted upon with reasonable promptness;

"(4) provide (A) such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the agreement in the State, and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full- or part-time employment of recipients of supplementary payments and other persons of low income, as community services aides, in carrying out the agreement and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants for and recipients of supplementary payments and in assisting any advisory committees established by the State agency;

"(5) provide that the State agency carrying out the agreement will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

"(6) provide safeguards which restrict the use or disclosure of information concerning applicants for and recipients of supplementary payments to purposes directly connected with the administration of this title; and

“(7) provide that all individuals wishing to make application for supplementary payments shall have opportunity to do so, and that supplementary payments shall be furnished with reasonable promptness to all eligible individuals.

“PAYMENTS TO STATES

“SEC. 453. (a) (1) The Secretary shall pay to any State which has in effect an agreement under this part, for each fiscal year, an amount equal to 30 per centum of the total amount expended during such year pursuant to its agreement as supplementary payments to families other than families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed, not counting so much of the supplementary payment made to any family as exceeds the amount by which (with respect to the period involved)—

“(A) the family assistance benefit payable to such family under part D, plus any income of such family (earned or unearned) not disregarded in determining the amount of such supplementary payment, is less than

"(B) the applicable poverty level as promulgated and in effect under subsection (c).

"(2) The Secretary shall also pay to each such State an amount equal to 50 per centum of its administrative costs found necessary by the Secretary for carrying out its agreement.

"(b) Payments under subsection (a) shall be made at such time or times, in advance or by way of reimbursement, and in such installments as the Secretary may determine; and shall be made on such conditions as may be necessary to assure the carrying out of the purposes of this title.

"(c) (1) For purposes of this part, the 'poverty level' for a family group of any given size shall be the amount shown for a family group of such size in the following table, adjusted as provided in paragraph (2):

"FAMILY SIZE:	BASIC AMOUNT
One	$1,920
Two	2,460
Three	2,940
Four	3,720
Five	4,440
Six	4,980
Seven or more	6,120

"(2) Between July 1 and September 30 of each year, beginning with 1970, the Secretary (A) shall adjust the amount shown for each size of family group in the table in paragraph (1) by increasing such amount by the percentage by which the average level of the price index for the months in the calendar quarter beginning April 1 of such year exceeds the average level of the price index for months in 1969, and (B) shall thereupon promulgate the amounts so adjusted as the poverty levels for family groups of various sizes which shall be conclusive for purposes of this part for the fiscal year beginning July 1 next succeeding such promulgation.

"(3) As used in this subsection, the term 'price index' means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics.

"FAILURE BY STATE TO COMPLY WITH AGREEMENT

"SEC. 454. If the Secretary, after reasonable notice and opportunity for hearing to a State with which he has an agreement under this part, finds that such State is failing to comply therewith, he shall withhold all, or such portion as he deems appropriate, of the payments to which such State is otherwise entitled under this part or part A or B of this title or under title V, XVI, or XIX; but the amounts so withheld from payments under such part A or B or under title V, XVI, or XIX shall be deemed to have been paid to the State under such part or title. Such withholding shall be effected at such time or times and in such installments as the Secretary may deem appropriate.

"PART F—ADMINISTRATION

"AGREEMENTS WITH STATES

"SEC. 461. (a) The Secretary may enter into an agreement with any State under which the Secretary will make, on behalf of the State, the supplementary payments provided for under part E, or will perform such other functions of the State in connection with such payments as may be agreed upon, or both. In any such case, the agreement shall also (1) provide for payment by the State to the Secretary of an amount equal to the supplementary payments the State would otherwise make pursuant to part E, less any payments which would be made to the State under section 453 (a), and (2) at the request of the State, provide for joint audit of payments under the agreement.

"(b) The Secretary may also enter into an agreement with any State under which such State will make, on behalf of the Secretary, the family assistance benefit payments provided for under part D with respect to all or specified families in the State who are eligible for such benefits or will perform such other functions in connection with the administration of part D as may be agreed upon. The cost of carrying out any such agreement shall be paid to the State by the Secretary in advance or by way of reimbursement and in such installments as may be agreed upon.

"PENALTIES FOR FRAUD

"SEC. 462. The provisions of section 208, other than paragraph (a), shall apply with respect to benefits under part D and allowances under part C, of this title, to the same extent as they apply to payments under title II.

"REPORT, EVALUATION, RESEARCH AND DEMONSTRATIONS, AND TRAINING AND TECHNICAL ASSISTANCE

"SEC. 463. (a) The Secretary shall make an annual report to the President and the Congress on the operation and administration of parts D and E, including an evaluation thereof in carrying out the purposes of such parts and recommendations with respect thereto. The Secretary is authorized to conduct evaluations directly or by grants or contracts of the programs authorized by such parts.

"(b) The Secretary is authorized to conduct, directly or by grants or contracts, research into or demonstrations of ways of better providing financial assistance to needy persons or of better carrying out the purposes of part D, and in so doing to waive any requirements or limitations in such part with respect to eligibility for or amount of family assistance benefits for such family, members of families, or groups thereof as he deems appropriate.

"(c) The Secretary is authorized to provide such technical assistance to States, and to provide, directly or through grants or contracts, for such training of personnel of States, as he deems appropriate to assist them in more efficiently and effectively carrying out their agreements under this part and part E.

"(d) In addition to funds otherwise available therefor, such portion of any appropriation to carry out part D or E as the Secretary may determine, but not in excess of $20,000,000 in any fiscal year, shall be available to him to carry out this section.

"OBLIGATION OF DESERTING PARENTS

"SEC. 464. In any case where an individual has deserted or abandoned his spouse or his child or children and such spouse or any such child (during the period of such desertion or abandonment) is a member of a family receiving family assistance benefits under part D or supplementary payments under part E, such individual shall be obligated to the United States in an amount equal to—

"(1) the total amount of the family assistance benefits paid to such family during such period with respect to such spouse and child or children, plus the amount paid by the Secretary under section 453 on account of the supplementary payments made to such family during such period with respect to such spouse and child or children, reduced by

"(2) any amount actually paid by such individual to or for the support and maintenance of such spouse and child or children during such period, if and to the extent that such amount is excluded in determining the amount of such family assistance benefits;

except that in any case where an order for the support and maintenance of such spouse or any such child has been issued by a court of competent jurisdiction, the obligation of such individual under this subsection (with respect to such spouse or child) for any period shall not exceed the amount specified in such order less any amount actually paid by such individual (to or for the support and maintenance of such spouse or child) during such period. The amount due the United States under such obligation shall be collected (to the extent that the claim of the United States therefor is not otherwise satisfied), in such manner as may be specified by the Secretary, from any amounts otherwise due him or becoming due him at any time from any officer or agency of the United States or under any Federal program. Amounts collected under the preceding sentence shall be deposited in the Treasury as miscellaneous receipts.

"TREATMENT OF FAMILY ASSISTANCE BENEFITS AS INCOME FOR FOOD STAMP PURPOSES

"SEC. 465. Family assistance benefits paid under this title shall be taken into consideration for the purpose of determining the entitlement of any household to purchase food stamps, and the cost thereof, under the food stamp program conducted under the Food Stamp Act of 1964."

MANPOWER SERVICES, TRAINING, EMPLOYMENT, CHILD CARE, AND SUPPORTIVE SERVICES PROGRAMS

SEC. 102. Part C of title IV of the Social Security Act (42 U.S.C. 630 et seq.) is amended to read as follows:

"PART C—MANPOWER SERVICES, TRAINING, EMPLOYMENT, CHILD CARE, AND SUPPORTIVE SERVICES PROGRAMS FOR RECIPIENTS OF FAMILY ASSISTANCE BENEFITS OR SUPPLEMENTARY PAYMENTS

"PURPOSE

"SEC. 430. The purpose of this part is to authorize provision, for individuals who are members of a family receiving benefits under part D or supplementary payments pursuant to part E, of manpower services, training, employment, child care, and related supportive services necessary to train such individuals, prepare them for employment, and otherwise assist them in securing and retaining regular employment and having the opportunity for advancement in employment, to the end that needy families with children will be restored to self-supporting, independent, and useful roles in their communities.

"OPERATION OF MANPOWER SERVICES, TRAINING, AND EMPLOYMENT PROGRAMS

"SEC. 431. (a) The Secretary of Labor shall, for each person registered pursuant to part D, in accordance with priorities prescribed by him, develop or assure the development of an employability plan describing the manpower services, training, and employment which the Secretary of Labor determines each person needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement.

"(b) The Secretary of Labor shall, in accordance with the provisions of this part, establish and assure the provision of manpower services, training, and employment programs in each State for persons registered pursuant to part D or receiving supplementary payments pursuant to part E.

"(c) The Secretary of Labor shall, through such programs, provide or assure the provision of manpower services, training, and employment and opportunities necessary to prepare such persons for and place them in regular employment, including—

"(1) any of such services, training, employment, and opportunities which the Secretary of Labor is authorized to provide under any other Act;

"(2) counseling, testing, coaching, program orientation, institutional and on-the-job training, work experience, upgrading, job development, job placement, and follow up services required to assist in securing and retaining employment and opportunities for advancement;

"(3) relocation assistance (including grants, loans, and the furnishing of such services as will aid an involuntarily unemployed individual who desires to relocate to do so in an area where there is assurance of regular suitable employment, offered through the public employment offices of the State in such area, which will lead to the earning of income sufficient to make such individual and his family ineligible for benefits under part D and supplementary payments under part E) ; and

"(4) special work projects.

"(d) (1) For purposes of subsection (c) (4), a 'special work project' is a project (meeting the requirements of this subsection) which consists of the performance of work in the public interest through grants to or contracts with public or nonprofit private agencies or organizations.

"(2) No wage rates provided under any special work project shall be lower than the applicable minimum wage for the particular work concerned.

"(3) Before entering into any special work project under a program established as provided in subsection (b), the Secretary of Labor shall have reasonable assurances that—

"(A) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(B) such project will not result in the displacement of employed workers,

"(C) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

"(D) appropriate workmen's compensation protection is provided to all participants, and

"(E) such project will improve the employability of the participants.

"(4) With respect to individuals who are participants in special work projects under programs established as provided in subsection (b), the Secretary of Labor shall periodically (at least once every six months) review the employment record of each such individual while on the special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment or in on-the-job, institutional, or other training.

"ALLOWANCES FOR INDIVIDUALS UNDERGOING TRAINING

"SEC. 432. (a) (1) The Secretary of Labor shall pay to each individual who is a member of a family and is participating in manpower training under this part an incentive allowance of $30 per month. If one or more members of a family are receiving training for which training allowances are payable under section 203 of the Manpower Development and Training Act and meet the other requirements under such section (except subsection (l) (1) thereof) for the receipt of allowances which would be in excess of the sum of the family assistance benefit under part D and supplementary payments pursuant to part E payable with respect to such month to the family, the total of the incentive allowances per month under this section for such members shall be equal to the greater of (1) the amount of such excess or, if lower, the amount of the excess of the training allowances which would be payable under such section 203 as in effect on March 1, 1970, over the sum of such family assistance benefit and such supplementary payments, and (2) $30 for each such member.

"(2) The Secretary of Labor shall, in accordance with regulations, also pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs to him which are necessary to and directly related to his participation in training.

"(3) The Secretary of Labor shall by regulation provide for such smaller allowances under this subsection as he deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam.

"(b) Allowances under this section shall be in lieu of allowances provided for participants in manpower training programs under any other Act.

"(c) Subsection (a) shall not apply to any member of a family who is participating in a program of the Secretary of Labor providing public or private employer compensated on-the-job training.

"UTILIZATION OF OTHER PROGRAMS

"SEC. 433. In providing the manpower training and employment services and opportunities required by this part the Secretary of Labor, to the maximum extent feasible, shall assure that such services and opportunities are provided in such manner, through such means, and using all authority available to him under any other Act (and subject to all duties and responsibilities thereunder) as will further the establishment of an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government and as will make maximum use of existing manpower and manpower related programs and agencies. To such end the Secretary of Labor may use the funds appropriated to him under this part to provide the programs required by this part through such other Act, to the same extent and under the same conditions as if appropriated under such other Act and in making use of the programs of other Federal, State, or local agencies, public or private, the Secretary may reimburse such agencies for services rendered to persons under this part to the extent such services and opportunities are not otherwise available on a nonreimbursable basis.

"RULES AND REGULATIONS

"SEC. 434. The Secretary of Labor may issue such rules and regulations as he finds necessary to carry out his responsibilities under this part.

"APPROPRIATIONS; NONFEDERAL SHARE

"SEC. 435. (a) There is authorized to be appropriated to the Secretary of Labor for each fiscal year a sum sufficient for carrying out the purposes of this part (other than sections 436 and 437), including payment of not to exceed 90 per centum of the cost of manpower services, training, and employment and opportunities provided for individuals registered pursuant to section 447. The Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for carrying out the programs authorized by section 431. In developing these criteria the Secretary of Labor shall consider the number of registrations under section 447 and other relevant factors.

"(b) If a non-Federal contribution of 10 per centum of the cost specified in subsection (a) is not made in any State (as required by section 402(a)(13)), the Secretary of Health, Education, and Welfare may withhold any action under section 404 on account thereof and if he does so he shall instead, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 403(a), 453, 1604, and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(13)) equals 10 per centum of such costs. Such withholding shall remain in effect until such time as the Secretary of Labor has assurances from the State that such 10 per centum will be contributed as required by section 402(a)(13). Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health, Education, and Welfare to the Secretary of Labor.

"CHILD CARE

"SEC. 436. (a) (1) For the purpose of assuring that individuals receiving benefits under part D or supplementary payments pursuant to part E will not be prevented from participating in training or employment by the unavailability of appropriate child care, there are authorized to be appropriated for each fiscal year such sums as may be necessary to enable the Secretary of Health, Education, and Welfare to make grants to any public or nonprofit private agency or organization, and contracts with any public or private agency or organization, for part or all of the cost of projects for the provision of child care, including necessary transportation and alteration, remodeling, and renovation of facilities, which may be necessary or appropriate in order to better enable an individual who has been registered pursuant to part D or is receiving supplementary payments pursuant to part E to undertake or continue manpower training or employment under this part, or to enable an individual who has been referred pursuant to section 447 (d) to participate in vocational rehabilitation, or to enable a member of a family which is or has been (within such period of time as the Secretary may prescribe) eligible for benefits under such part D or payments pursuant to such part E to undertake or continue manpower training or employment under this part; or, with respect to the period prior to the date when part D becomes effective for a State, to better enable an individual who is receiving aid to families with dependent children, or whose needs are taken into account in determining the need of any one claiming or receiving such aid, to participate in manpower training or employment.

"(2) Such grants or contracts for the provision of child care in any area may be made directly, or through grants to any public or nonprofit private agency which is designated by the appropriate elected or appointed official or officials in such area and which demonstrates a capacity to work effectively with the manpower agency in such area (including provision for the stationing of personnel with the manpower team in appropriate cases). To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency.

"(3) Such projects shall provide for various types of child care needed in the light of the different circumstances and needs of the children involved.

"(b) Such sums shall also be available to enable the Secretary of Health, Education, and Welfare to make grants to any public or nonprofit private agency or organization, and contracts with any public or private agency or organization, for evaluation, training of personnel, technical assistance, or research or demonstration projects to determine more effective methods of providing any such care.

"(c) The Secretary of Health, Education, and Welfare may provide, in any case in which a family is able to pay for part or all of the cost of child care provided under a project assisted under this section, for payment by the family of such fees for the care as may be reasonable in the light of such ability.

"SUPPORTIVE SERVICES

"SEC. 437. (a) No payments shall be made to any State under title V, XVI, or XIX, or part A or B of this title, with respect to expenditures for any calendar quarter beginning on or after the date part D becomes effective with respect to such State, unless it has in effect an agreement with the Secretary of Health, Education, and Welfare under which it will provide health, vocational rehabilitation, counseling, social, and other supportive services which the Secretary under regulations determines to be necessary to permit an individual who has been registered pursuant to part D or is receiving supplementary payments pursuant to part E to undertake or continue manpower training and employment under this part.

"(b) Services under such an agreement shall be provided in close cooperation with manpower training and employment services provided under this part.

"(c) The Secretary of Health, Education, and Welfare shall from time to time, in such installments and on such conditions as he deems appropriate, pay to any State with which he has an agreement pursuant to subsection (a) up to 90 per centum of the cost of such State of carrying out such agreement. There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out this section.

"ADVANCE FUNDING

"SEC. 438. (a) For the purpose of affording adequate notice of funding available under this part, appropriations for grants, contracts, or other payments with respect to individuals registered pursuant to section 447 are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

"(b) In order to effect a transition to the advance funding method of timing appropriation action, subsection (a) shall apply notwithstanding that its initial application will result in enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"EVALUATION AND RESEARCH; REPORTS TO CONGRESS

"SEC. 439. (a) (1) The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the manpower training and employment programs provided under this part, including their effectiveness in achieving stated goals and their impact on other related programs. The Secretary may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the manpower training and employment programs so provided and may also conduct demonstrations of improved training techniques for upgrading the skills of the working poor. The Secretary may, for these purposes, contract for independent evaluations of and research regarding such programs or individual projects under such programs, and establish a data collection, processing, and retrieval system.

"(2) There are authorized to be appropriated such sums, not exceeding $15,000,000 for any fiscal year, as may be necessary to carry out paragraph (1).

"(b) On or before September 1 following each fiscal year in which part D is effective with respect to any State—

"(1) the Secretary shall report to the Congress on the manpower training and employment programs provided under this part in such fiscal year, and

"(2) the Secretary of Health, Education, and Welfare shall report to the Congress on the child care and supportive services provided under this part in such fiscal year."

CONFORMING AMENDMENTS RELATING TO ASSISTANCE FOR NEEDY FAMILIES WITH CHILDREN

SEC. 103. (a) Section 401 of the Social Security Act (42 U.S.C. 601) is amended—

(1) by striking out "financial assistance and" in the first sentence; and

(2) by striking out "aid and" in the second sentence.

(b) (1) Subsection (a) of section 402 of such Act (42 U.S.C. 602) is amended—

(A) by striking out "aid and" in the matter preceding clause (1);

(B) by inserting, before "provide" at the beginning of clause (1), "except to the extent permitted by the Secretary,";

(C) by striking out clause (4);

(D) (i) by striking out "recipients and other persons" in clause (5) (B) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such clause and inserting in lieu thereof "providing services under the plan";

(E) by striking out clauses (7) and (8);

(F) by striking out "aid to families with dependent children" in clause (9) and inserting in lieu thereof "the plan";

(G) by striking out clauses (10), (11), and (12);

(H) (i) by striking out "section 406 (d)" in clause

(14) and inserting in lieu thereof "section 405(c)",

(ii) by striking out "for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7))" in such clause and inserting in lieu thereof "for each member of a family receiving assistance to needy families with children, each appropriate individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan (approved under this part) as in effect prior to the enactment of part D, and each individual who would have been eligible to receive aid to families with dependent children under such plan", and

(iii) by striking out "such child, relative, and individual" each place it appears in such clause and inserting in lieu thereof "such member or individual";

(I) by striking out clause (15) and inserting in lieu thereof the following: "(15) (A) provide for the development of a program, for appropriate members of such families and such other individuals, for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this clause or clause (8) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(J) by striking out "aid" in clause (16) and inserting in lieu thereof "assistance to needy families with children";

(K) (i) by striking out "aid to families with dependent children" in clause (17) (A) (i) and inserting in lieu thereof "assistance to needy families with children",

(ii) by striking out "aid" in clause (17) (A) (ii) and inserting in lieu thereof "assistance", and

(iii) by striking out "and" at the end of clause (i), and adding after clause (ii) the following new clause:

"(iii) in the case of any parent (of a child referred to in clause (ii)) receiving such assistance who has been deserted or abandoned by his or her spouse, to secure support for such parent from such spouse (or from any other person legally liable for such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and";

(L) by striking out "clause (17) (A)" in clause (18) and inserting in lieu thereof "clause (11) (A)";

(M) by striking out clause (19) and inserting in lieu thereof the following: "(19) provide for arrangements to assure that there will be made a non-Federal contribution to the cost of manpower services, training, and employment and opportunities provided for individuals registered pursuant to section 447, in cash or kind, equal to 10 per centum of such cost;";

(N) by striking out "aid to families with dependent children in the form of foster care in accordance with section 408" in clause (20) and inserting in lieu thereof "payments for foster care in accordance with section 406";

(O) (i) by striking out "of each parent of a dependent child or children with respect to whom aid is being provided under the State plan" in clause (21) (A) and inserting in lieu thereof "of each person who is the parent of a child or children with respect to whom assistance to needy families with children or foster care is being provided or is the spouse of the parent of such a child or children",

(ii) by striking out "such child or children" in clause (21) (A) (i) and inserting in lieu thereof "such child or children or such parent",

(iii) by striking out "such parent" each place it appears in clause (21) (B) and inserting in lieu thereof "such person", and

(iv) by striking out "section 410;" in clause (21) (C) and inserting in lieu thereof "section 408; and";

(P) (i) by striking out "a parent" each place it appears in clause (22) and inserting in lieu thereof "a person",

(ii) by striking out "a child or children of such parent" each place it appears in such clause and inserting in lieu thereof "the spouse or a child or children of such person",

(iii) by striking out "against such parent" in such clause and inserting in lieu thereof "against such person", and

(iv) by striking out "aid is being provided under the plan of such other State" each place it appears in such clause and inserting in lieu thereof "assistance to needy families with children or foster care payments are being provided in such other State"; and

(Q) by striking out "; and (23)" and all that follows and inserting in lieu thereof a period.

(2) Clauses (5), (6), (9), (13), (14), (15), (16), (17), (18), (19), (20), (21), and (22) of section 402 (a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as clauses (4) through (16), respectively.

(c) Section 402 (b) of such Act is amended to read as follows:

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for services under it, any residence requirement which denies services or foster care payments with respect to any individual residing in the State."

(d) Section 402 of such Act is further amended by striking out subsection (c).

(e) (1) Subsection (a) of section 403 of such Act (42 U.S.C. 603) is amended—

(A) by striking out "aid and services" and inserting in lieu thereof "services" in the matter preceding paragraph (1);

(B) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 406—

"(A) five-sixths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of $18 multiplied by the number of children receiving such foster care in such month; plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under subparagraph (A), not counting so much of any expenditures with respect to any month as exceeds the product of $100 multiplied by the number of children receiving such foster care for such month;";

(C) by striking out paragraph (2);

(D) (i) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (3),

(ii) by striking out "or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" in clause (i) of subparagraph (A) of such paragraph and inserting in lieu thereof "receiving foster care or any member of a family receiving assistance to needy families with children or to any other individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan approved under this part as in effect prior to the enactment of part D",

(iii) by striking out "child or relative who is applying for aid to families with dependent children or" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "member of a family",

(iv) by striking out "likely to become an applicant for or recipient of such aid" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "likely to become eligible to receive such assistance", and

(v) by striking out "(14) and (15)" each place it appears in subparagraph (A) of such paragraph and inserting in lieu thereof "(8) and (9)";

(E) by striking out all that follows "permitted" in the last sentence of such paragraph and inserting in lieu thereof "by the Secretary; and";

(F) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (5);

(G) by striking out "section 406(e)" each place it appears in paragraph (5) and inserting in lieu thereof "section 405(d)"; and

(H) by striking out the sentences following paragraph (5).

(2) Paragraphs (3) and (5) of section 403(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (2) and (3), respectively.

(f) Section 403(b) of such Act is amended—

(1) by striking out "(B) records showing the number of dependent children in the State, and (C)" in paragraph (1) and inserting in lieu thereof "and (B)"; and

(2) by striking out "(A)" in paragraph (2), and by striking out ", and (B)" and all that follows in such paragraph and inserting in lieu thereof a period.

(g) Section 404 of such Act (42 U.S.C. 604) is amended—

(1) by striking out "(a) In the case of any State

plan for aid and services" and inserting in lieu thereof "In the case of any State plan for services"; and

(2) by striking out subsection (b).

(h) Section 405 of such Act (42 U.S.C. 605) i repealed.

(i) Section 406 of such Act (42 U.S.C. 606) is redesignated as section 405, and as so redesignated is amended—

(1) by striking out subsections (a) and (b) and inserting in lieu thereof the following:

"(a) The term 'child' means a child as defined in section 445(b).

"(b) The term 'needy families with children' means families who are receiving family assistance benefits under part D and who (1) are receiving supplementary payments under part E, or (2) would be eligible to receive aid to families with dependent children, under a State plan (approved under this part) as in effect prior to the enactment of part D, if the State plan had continued in effect and if it included assistance to dependent children of unemployed fathers pursuant to section 407 as it was in effect prior to such enactment; and 'assistance to needy families with children' means family assistance benefits under such part D, paid to such families.";

(2) by striking out subsection (c) and redesignat-

ing subsections (d) and (e) as subsections (c) and (d), respectively;

(3) (A) by striking out "living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home" in paragraph (1) of subsection (d) as so redesignated and inserting in lieu thereof "a member of a family (as defined in section 445 (a))", and

(B) by striking out "because such child or relative refused" and inserting in lieu thereof "because such child or another member of such family refused".

(j) Section 407 of such Act (42 U.S.C. 607) is repealed.

(k) Section 408 of such Act (42 U.S.C. 608) is redesignated as section 406, and as so redesignated is amended—

(1) by striking out everything (including the heading) which precedes paragraph (1) of subsection (b) and inserting in lieu thereof the following:

"FOSTER CARE

"SEC. 406. For purposes of this part—

"(a) 'foster care' shall include only foster care which is provided in behalf of a child (1) who would, except for his removal from the home of a family as a result of a judicial determination to the effect that continuation therein would be contrary to his welfare, be a member of such family receiving assistance to needy families with children, (2) whose placement and care are the responsibility of (A) the State or local agency administering the State plan approved under section 402, or (B) any other public agency with whom the State agency administering or supervising the administration of such State plan has made an agreement which is still in effect and which includes provision for assuring development of a plan, satisfactory to such State agency, for such child as provided in paragraph (e) (1) and such other provisions as may be necessary to assure accomplishment of the objectives of the State plan approved under section 402, (3) who has been placed in a foster family home or child-care institution as a result of such determination, and (4) who (A) received assistance to needy families with children in or for the month in which court proceedings leading to such determination were initiated, or (B) would have received such assistance to needy families with children in or for such month if application had been made therefor, or (C) in the case of a child who had been a member of a family (as defined in section 445 (a)) within six months prior to the month in which such proceedings were initiated, would have received such assistance in or for such month if in such month he had been a member of (and removed from the home of) such a family and application had been made therefor;

“(b) ‘foster care’ shall, however, include the care described in paragraph (a) only if it is provided—”;

(2) (A) by striking out “‘aid to families with dependent children’” in subsection (b) (2) and inserting in lieu thereof “foster care”,

(B) by striking out “such foster care” in such subsection and inserting in lieu thereof “foster care”, and

(C) by striking out the period at the end of such subsection and inserting in lieu thereof “; and”;

(3) by striking out subsection (c) and redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively;

(4) by striking out “paragraph (f) (2)” and “section 403 (a) (3)” in subsection (c) (as so redesignated) and inserting in lieu thereof “paragraph (e) (2)” and “section 403 (a) (2)” respectively;

(5) by striking out “aid” in subsection (d) (as so redesignated) and inserting in lieu thereof “services”;

(6) by striking out “relative specified in section 406 (a)” in subsection (e) (1) (as so redesignated) and inserting in lieu thereof “family (as defined in section 445 (a))”; and

(7) by striking out “522” and “part 3 of title V”

in subsection (e) (2) (as so redesignated) and inserting in lieu thereof "422" and "part B of this title", respectively.

(l) (1) Section 409 of such Act (42 U.S.C. 609) is repealed.

(m) Section 410 of such Act (42 U.S.C. 610) is redesignated as section 407; and subsection (a) of such section (as so redesignated) is amended by striking out "section 402 (a) (21)" and inserting in lieu thereof "section 402 (a) (15)".

(n) (1) Section 422 (a) (1) (A) of such Act is amended by striking out "section 402 (a) (15)" and inserting in lieu thereof "section 402 (a) (9)".

(2) Section 422 (a) (1) (B) of such Act is amended by striking out "provided for dependent children" and inserting in lieu thereof "provided with respect to needy families with children".

(o) References in any law, regulation, State plan, or other document to any provision of part A of title IV of the Social Security Act which is redesignated by this section shall (from and after the effective date of the amendments made by this Act) be considered to be references to such provision as so redesignated.

CHANGES IN HEADINGS

SEC. 104. (a) The heading of title IV of the Social Security Act (42 U.S.C. 601, et seq.) is amended to read as follows:

"TITLE IV—FAMILY ASSISTANCE BENEFITS, STATE SUPPLEMENTARY PAYMENTS, WORK INCENTIVE PROGRAMS, AND GRANTS TO STATES FOR FAMILY AND CHILD WELFARE SERVICES".

(b) The heading of part A of such title IV is amended to read as follows:

"PART A—SERVICES TO NEEDY FAMILIES WITH CHILDREN".

TITLE II—AID TO THE AGED, BLIND, AND DISABLED

GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

SEC. 201. Title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) is amended to read as follows:

"TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"APPROPRIATIONS

"SEC. 1601. For the purpose of enabling each State to furnish financial assistance to needy individuals who are sixty-five years of age or over, blind, or disabled and for the purpose of encouraging each State to furnish rehabilitation and other services to help such individuals attain or retain capability for self-support or self-care, there are authorized to be appropriated for each fiscal year sums sufficient to carry out these purposes. The sums made available under this section shall be used for making payments to States having State plans approved under section 1602.

"STATE PLANS FOR FINANCIAL ASSISTANCE AND SERVICES TO THE AGED, BLIND, AND DISABLED

"SEC. 1602. (a) A State plan for aid to the aged, blind, and disabled must—

"(1) provide for the establishment or designation of a single State agency to administer or supervise the administration of the State plan;

"(2) provide such methods of administration as are found by the Secretary to be necessary for the proper and efficient operation of the plan, including methods relating to the establishment and maintenance of personnel standards on a merit basis (but the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of individuals employed in accordance with such methods);

"(3) provide for the training and effective use of social service personnel in the administration of the plan, for the furnishing of technical assistance to units of State government and of political subdivisions which are furnishing financial assistance or services to the aged, blind, and disabled, and for the development through research or demonstration projects of new or improved methods of furnishing assistance or services to the aged, blind, and disabled;

"(4) provide for the training and effective use of paid subprofessional staff (with particular emphasis on the full-time or part-time employment of recipients and other persons of low income as community service aides) in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency;

"(5) provide that all individuals wishing to make application for aid under the plan shall have opportunity to do so and that such aid shall be furnished with reasonable promptness with respect to all eligible individuals;

"(6) provide for the use of a simplified statement, conforming to standards prescribed by the Secretary, to establish eligibility, and for adequate and effective methods of verification of eligibility of applicants and recipients through the use, in accordance with regulations prescribed by the Secretary, of sampling and other scientific techniques;

"(7) provide that, except to the extent permitted by the Secretary with respect to services, the State plan shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

"(8) provide for financial participation by the State;

"(9) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select;

"(10) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid under the plan is denied or is not acted upon with reasonable promptness;

"(11) provide for periodic evaluation of the operations of the State plan, not less often than annually, in accordance with standards prescribed by the Secretary, and the furnishing of annual reports of such evaluations to the Secretary together with any necessary modifications of the State plan resulting from such evaluations;

"(12) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

"(13) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan;

"(14) provide, if the plan includes aid to or on behalf of individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

"(15) provide a description of the services which the State makes available to applicants for or recipients of aid under the plan to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of all available services that are similar or related; and

"(16) assure that, in administering the State plan and providing services thereunder, the State will observe priorities established by the Secretary and comply with such performance standards as the Secretary may, from time to time, establish.

Notwithstanding paragraph (1), if on January 1, 1962, and on the date on which a State submits (or submitted) its plan for approval under this title, the State agency which administered or supervised the administration of the plan of such State approved under title X was different from the State agency which administered or supervised the administration of the plan of such State approved under title I and the State agency which administered or supervised the administration of the plan of such State approved under title XIV, then the State agency which administered or supervised the administration of such plan approved under title X may be designated to administer or supervise the administration of the portion of the State plan for aid to the aged, blind, and disabled which relates to blind individuals and a separate State agency may be established or designated to administer or supervise the administration of the rest of such plan; and in such case the part of the plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title.

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and in section 1603, except that he shall not approve any plan which imposes, as a condition of eligibility for aid under the plan—

"(1) an age requirement of more than sixty-five years;

"(2) any residency requirement which excludes any individual who resides in the State;

"(3) any citizenship requirement which excludes any citizen of the United States, or any alien lawfully admitted for permanent residence who has resided in the United States continuously during the five years immediately preceding his application for such aid;

"(4) any disability or age requirement which excludes any persons under a severe disability, as determined in accordance with criteria prescribed by the Secretary, who are eighteen years of age or older; or

"(5) any blindness or age requirement which excludes any persons who are blind as determined in accordance with criteria prescribed by the Secretary.

In the case of any State to which the provisions of section 344 of the Social Security Act Amendments of 1950 were applicable on January 1, 1962, and to which the sentence of section 1002(b) following paragraph (2) thereof is applicable on the date on which its State plan was or is submitted for approval under this title, the Secretary shall approve the plan of such State for aid to the aged, blind, and disabled for purposes of this title, even though it does not meet the requirements of section 1603(a), if it meets all other requirements of this title for an approved plan for aid to the aged, blind, and disabled; but payments to the State under this title shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of this title under a plan approved under this section without regard to the provisions of this sentence.

"DETERMINATION OF NEED

"SEC. 1603. (a) A State plan must provide that, in determining the need for aid under the plan, the State agency shall take into consideration any other income or resources of the individual claiming such aid as well as any expenses reasonably attributable to the earning of any such income; except that, in making such determination with respect to any individual—

"(1) the State agency shall not consider as resources (A) the home, household goods, and personal effects of the individual, (B) other personal or real property, the total value of which does not exceed $1,500, or (C) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion, but shall apply the provisions of section 442 (d) and regulations thereunder;

"(2) the State agency may not consider the financial responsibility of any individual for any applicant or recipient unless the applicant or recipient is the individual's spouse, or the individual's child who is under the age of twenty-one or is blind or severely disabled;

"(3) if such individual is blind, the State agency (A) shall disregard the first $85 per month of earned income plus one-half of earned income in excess of $85 per month, and (B) shall, for a period not in excess of twelve months, and may, for a period not in excess of thirty-six months, disregard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan;

(4) if such individual is not blind but is severely disabled, the State agency (A) shall disregard the first $85 per month of earned income plus one-half of earned income in excess of $85 per month, and (B) shall, for a period not in excess of twelve months, and may, for a period not in excess of thirty-six months, dis-

regard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of the plan, but only with respect to the part or parts of such period during substantially all of which he is undergoing vocational rehabilitation;

"(5) if such individual has attained age sixty-five and is neither blind nor severely disabled, the State agency may disregard not more than the first $60 per month of earned income plus one-half of the remainder thereof; and

"(6) the State agency may, before disregarding any amounts under the preceding paragraphs of this subsection, disregard not more than $7.50 of any income.

For requirement of additional disregarding of income of OASDI recipients in determining need for aid under the plan, see section 1007 of the Social Security Amendments of 1969.

"(b) A State plan must also provide that—

"(1) each eligible individual, other than one who is a patient in a medical institution or is receiving institutional services in an intermediate care facility to which section 1121 applies, shall receive financial assistance in such amount as, when added to his income which is not disregarded pursuant to subsection (a), will provide a minimum of $110 per month;

"(2) the standard of need applied for determining eligibility for and amount of aid to the aged, blind, and disabled shall not be lower than (A) the standard applied for this purpose under the State plan (approved under this title) as in effect on the date of enactment of part D of title IV of this Act, or (B) if there was no such plan in effect for such State on such date, the standard of need which was applicable under—

"(i) the State plan which was in effect on such date and was approved under title I, in the case of any individual who is sixty-five years of age or older,

"(ii) the State plan in effect on such date and approved under title X, in the case of an individual who is blind, or

"(iii) the State plan in effect on such date and approved under title XIV, in the case of an individual who is severely disabled,

except that if two or more of clauses (i), (ii), and (iii) are applicable to an individual, the standard of need applied with respect to such individual may not be lower than the higher (or highest) of the standards under the applicable plans, and except that if none of such clauses is applicable to an individual, the standard of need applied with respect to such individual may not be lower than the higher (or highest) of the standards under the State plans approved under titles I, X, and XIV which were in effect on such date; and

"(3) no aid will be furnished to any individual under the State plan for any period with respect to which he is considered a member of a family receiving family assistance benefits under part D of title IV or supplementary payments pursuant to part E thereof, or training allowances under part C thereof, for purposes of determining the amount of such benefits, payments, or allowances (but this paragraph shall not apply to any individual, otherwise considered a member of such a family, if he elects in such manner and form as the Secretary may prescribe not to be considered a member of such a family).

"(c) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"PAYMENTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"SEC. 1604. From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each calendar quarter, an amount equal to the sum of the following proportions of the total amounts expended during each month of such quarter as aid to the aged, blind, and disabled under the State plan—

"(1) 90 per centum of such expenditures, not counting so much of any expenditures as exceeds the product of $65 multiplied by the total number of recipients of such aid for such month; plus

"(2) 25 per centum of the amount by which such expenditures exceed the maximum which may be counted under paragraph (1), not counting so much of any expenditures with respect to such month as exceeds the product of the amount which, as determined by the Secretary, is the maximum permissible level of assistance per person in which the Federal Government will participate financially, multiplied by the total number of recipients of such aid for such month.

In the case of any individual in Puerto Rico, the Virgin Islands, or Guam, the maximum permissible level of assistance under paragraph (2) may be lower than in the case of individuals in the other States. For other special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"ALTERNATE PROVISION FOR DIRECT FEDERAL PAYMENTS TO INDIVIDUALS

"SEC. 1605. The Secretary may enter into an agreement with a State under which he will, on behalf of the State, pay aid to the aged, blind, and disabled directly to individuals in the State under the State's plan approved under this title and perform such other functions of the State in connection with such payments as may be agreed upon. In such case payments shall not be made as provided in section 1604 and the agreement shall also provide for payment to the Secretary by the State of its share of such aid (adjusted to reflect the State's share of any overpayments recovered under section 1606).

"OVERPAYMENTS AND UNDERPAYMENTS

"SEC. 1606. Whenever the Secretary finds that more or less than the correct amount of payment has been made to any person as a direct Federal payment pursuant to section 1605, proper adjustment or recovery shall, subject to the succeeding provisions of this section, be made by appropriate adjustments in future payments of the overpaid individual or by recovery from him or his estate or payment to him. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with a view to avoiding penalizing individuals who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration.

"OPERATION OF STATE PLANS

"SEC. 1607. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan no longer complies with the provisions of sections 1602 and 1603; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State or individuals within the State under this title (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no such further payments to the State or individuals in the State under this title (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"PAYMENTS TO STATES FOR SERVICES AND ADMINISTRATION

"SEC. 1608. (a) If the State plan of a State approved under section 1602 provides that the State agency will make available to applicants for or recipients of aid to the aged, blind, and disabled under the State plan at least those services to help them attain or retain capability for self-support or self-care which are prescribed by the Secretary, such State shall qualify for payments for services under subsection (b) of this section.

"(b) In the case of any State whose State plan approved under section 1602 meets the requirements of subsection (a), the Secretary shall pay to the State from the sums appropriated therefor an amount equal to the sum of the following proportions of the total amounts expended during each quarter, as found necessary by the Secretary for the proper and efficient administration of the State plan—

"(1) 75 per centum of so much of such expenditures as are for—

"(A) services which are prescribed pursuant to subsection (a) and are provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan to help them attain or retain capability for self-support or self-care, or

"(B) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to the applicants for or recipients of aid, or

"(C) any of the services prescribed pursuant to subsection (a), and any of the services specified in subparagraph (B) of this paragraph, which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid under the plan, if such services are requested by the individuals and are provided to them in accordance with subsection (c), or

"(D) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"(2) one-half of so much of such expenditures (not included under paragraph (1)) as are for services provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid; plus

"(3) one-half of the remainder of such expenditures.

"(c) The services referred to in paragraphs (1) and (2) of subsection (b) shall, except to the extent specified by the Secretary, include only—

"(1) services provided by the staff of the State agency, or the local agency administering the State plan in the political subdivision (but no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (A) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under that Act, or (B) which the State agency or agencies administering or supervising the administration of the State plan approved under that Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under paragraph (2), if provided by such staff), and

"(2) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of that State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies).

Services described in clause (B) of paragraph (1) may be provided only pursuant to agreement with the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act.

"(d) The portion of the amount expended for administration of the State plan to which paragraph (1) of subsection (b) applies and the portion thereof to which paragraphs (2) and (3) of subsection (b) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary.

"(e) In the case of any State whose plan approved under section 1602 does not meet the requirements of subsection (a) of this section, there shall be paid to the State, in lieu of the amount provided for under subsection (b), an amount equal to one-half the total of the sums expended during each quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, including services referred to in subsections (b) and (c) and provided in accordance with the provisions of those subsections.

"(f) In the case of any State whose State plan included a provision meeting the requirements of subsection (a), but with respect to which the Secretary finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the plan, that—

"(1) the provision no longer complies with the requirements of subsection (a), or

"(2) in the administration of the plan there is a failure to comply substantially with such provision,

the Secretary shall notify the State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State under subsection (b) until he is satisfied that there will no longer be any such failure to comply. Until the Secretary is so satisfied, no such further payments with respect to the administration of and services under the State plan shall be made, but, instead, such payments shall be made, subject to the other provisions of this title, under subsection (e).

"COMPUTATION OF PAYMENTS TO STATES

"SEC. 1609. (a) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under sections 1604 and 1608 for that quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in that quarter in accordance with the provisions of sections 1604 and 1608, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in that quarter, and, if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to the State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(b) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by a State or political subdivision thereof with respect to aid furnished under the State plan, but excluding any amount of such aid recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased, shall be considered an overpayment to be adjusted under subsection (a) (2).

"(c) Upon the making of any estimate by the Secretary under this section, any appropriations available for payments under this title shall be deemed obligated.

"DEFINITION

"SEC. 1610. For purposes of this title, the term 'aid to the aged, blind, and disabled' means money payments to needy individuals who are 65 years of age or older, are blind, or are severely disabled, but such term does not include—

"(1) any such payments to any individual who is an inmate of a public institution (except as a patient in a medical institution); or

"(2) any such payments to any individual who has not attained 65 years of age and who is a patient in an institution for tuberculosis or mental diseases.

Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1602 includes provision for—

"(A) determination by the State agency that the needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

"(B) making such payments only in cases in which the payment will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the aged, blind, and disabled to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

"(C) undertaking and continuing special efforts to protect the welfare of such individuals and to improve, to the extent possible, his capacity for self-care and to manage funds;

"(D) periodic review by the State agency of the determination under clause (A) to ascertain whether conditions justifying such determination still exist, with provision for termination of the payments if they do not and for seeking judicial appointment of a guardian, or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of the needy individual; and

"(E) opportunity for a fair hearing before the State agency on the determination referred to in clause (A) for any individual with respect to whom it is made.

Whether an individual is blind or severely disabled shall be determined for purposes of this title in accordance with criteria prescribed by the Secretary."

REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL SECURITY ACT

SEC. 202. Titles I, X, and XIV of the Social Security Act (42 U.S.C. 301 et seq., 1201 et seq., and 1351 et seq.) are hereby repealed.

ADDITIONAL DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR AID TO THE AGED, BLIND, AND DISABLED

SEC. 203. Section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before July 1970".

TRANSITION PROVISION RELATING TO OVERPAYMENTS AND UNDERPAYMENTS

SEC. 204. In the case of any State which has a State plan approved under title I, X, XIV, or XVI of the Social Security Act as in effect prior to the enactment of this section, any overpayment or underpayment which the Secretary determines was made to such State under section 3, 1003, 1403, or 1603 of such Act with respect to a period before the approval of a plan under title XVI as amended by this Act, and with respect to which adjustment has not already been made under subsection (b) of such section 3, 1003, 1403, or 1603, shall, for purposes of section 1609 (a) of such Act as herein amended, be considered an overpayment or underpayment (as the case may be) made under title XVI of such Act as herein amended.

TRANSITION PROVISION RELATING TO DEFINITIONS OF BLINDNESS AND DISABILITY

SEC. 205. In the case of any State which has in operation a plan of aid to the blind under title X, aid to the permanently and totally disabled under title XIV, or aid to the aged, blind, or disabled under title XVI, of the Social Security Act as in effect prior to the enactment of this Act, the State plan of such State submitted under title XVI of such Act as amended by this Act shall not be denied approval thereunder, with respect to the period ending with the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act, by reason of its failure to include therein a test of disability or blindness different from that included in the State's plan (approved under such title X, XIV or XVI of such Act) as in effect on the date of the enactment of this Act.

TITLE III—MISCELLANEOUS CONFORMING AMENDMENTS

AMENDMENT OF SECTION 228(d)

SEC. 301. Section 228 (d) (1) of the Social Security Act is amended by striking out "I, X, XIV, or", and by striking out "part A" and inserting in lieu thereof "receives payments with respect to such month pursuant to part D or E".

AMENDMENTS TO TITLE XI

SEC. 302. Title XI of the Social Security Act is amended—

(1) by striking out "I,", "X,", and "XIV," in section 1101 (a) (1);

(2) by striking out "I, X, XIV," in section 1106 (c) (1) (A);

(3) (A) by striking out "I, X, XIV, and XVI" in section 1108 (a) and inserting in lieu thereof "XVI", and

(B) by striking out "section 402 (a) (19)" in section 1108 (b) and inserting in lieu thereof "part A of title IV";

(4) by striking out the text of section 1109 and inserting in lieu thereof the following:

"SEC. 1109. Any amount which is disregarded (or set aside for future needs) in determining the eligibility for and amount of aid or assistance for any individual under a State plan approved under title XVI or XIX, or eligibility for and amount of payments pursuant to part D or E of title IV, shall not be taken into consideration in determining the eligibility for and amount of such aid, assistance, or payments for any other individual under such other State plan or such part D or E.";

(5) (A) by striking out "I, X, XIV, and" in section 1111, and

(B) by striking out "part A" in such section and inserting in lieu thereof "parts D and E";

(6) (A) by striking out "I, X, XIV," in the matter preceding clause (a) in section 1115, and by striking out "part A" in such matter and inserting in lieu thereof "parts A and E",

(B) by striking out "of section 2, 402, 1002, 1402," in clause (a) of such section and inserting in lieu thereof "of or pursuant to section 402, 452,", and

(C) by striking out "3, 403, 1003, 1403, 1603," in clause (b) of such section and inserting in lieu thereof "403, 453, 1604, 1608,";

(7) (A) by striking out "I, X, XIV," in subsections (a) (1), (b), and (d) of section 1116, and

(B) by striking out "4, 404, 1004, 1404, 1604," in subsection (a) (3) of such section and inserting in lieu thereof "404, 1607, 1608,";

(8) by repealing section 1118;

(9) (A) by striking out "I, X, XIV," in section 1119,

(B) by striking out "part A" in such section and inserting in lieu thereof "services under a State plan approved under part A", and

(C) by striking out "3 (a), 403 (a), 1003 (a), 1403 (a), or 1603 (a)" in such section and inserting in lieu thereof "403 (a) or 1604"; and

(10) (A) by striking out "a plan for old-age assistance, approved under title I, a plan for aid to the blind, approved under title X, a plan for aid to the permanently and totally disabled, approved under title XIV, or a plan for aid to the aged, blind, or disabled" in section 1121 (a) and inserting in lieu thereof "a plan for aid to the aged, blind, and disabled", and

(B) by inserting " (other than a public nonmedical facility)" in such section after "intermediate care facilities" the first time it appears.

AMENDMENTS TO TITLE XVIII

SEC. 303. Title XVIII of the Social Security Act is amended—

(1) (A) by striking out "title I or" in section 1843 (b) (1),

(B) by striking out "all of the plans" in section 1843 (b) (2) and inserting in lieu thereof "the plan", and

(C) by striking out "titles I, X, XIV, and XVI, and part A" in section 1843 (b) (2) and inserting in lieu thereof "title XVI and under part E";

(2) (A) by striking out "title I, X, XIV, or XVI or part A" in section 1843 (f) both times it appears and inserting in lieu thereof "title XVI and under part E"; and

(B) by striking out "title I, XVI, or XIX" in such section and inserting in lieu thereof "title XVI or XIX"; and

(3) by striking out "I, XVI" in section 1863 and inserting in lieu thereof "XVI".

AMENDMENTS TO TITLE XIX

SEC. 304. Title XIX of the Social Security Act is amended—

(1) by striking out "families with dependent children" and "permanently and totally" in clause (1) of the first sentence of section 1901 and inserting in lieu thereof "needy families with children" and "severely", respectively;

(2) by striking out "I or" in section 1902 (a) (5);

(3) (A) by striking out everything in section 1902 (a) (10) which precedes clause (A) and inserting in lieu thereof the following:

"(10) provide for making medical assistance available to all individuals receiving assistance to needy families with children as defined in section 405 (b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI; and—", and

(B) by inserting "or payments under such part E" after "such plan" each time it appears in clauses (A) and (B) of such section;

(4) by striking out section 1902 (a) (13) (B) and inserting in lieu thereof the following:

"(B) in the case of individuals receiving assistance to needy families with children as defined in section 405 (b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and";

(5) by striking out "aid or assistance under State

plans approved under titles I, X, XIV, XVI, and part A of title IV," in section 1902 (a) (14) (A) and inserting in lieu thereof "assistance to needy families with children as defined in section 405 (b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI,";

(6) (A) by striking out "aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV," in so much of section 1902 (a) (17) as precedes clause (A) and inserting in lieu thereof "assistance to needy families with children as defined in section 405 (b), payments under an agreement pursuant to part E of title IV, or aid under a State plan approved under title XVI,",

(B) by striking out "aid or assistance in the form of money payments under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" in clause (B) of such section and inserting in lieu thereof "assistance to needy families with children as defined in section 405 (b), payments under an agreement pursuant to part E of title IV, or aid to the aged, blind, and disabled under a State plan approved under title XVI", and

(C) by striking out "aid or assistance under such plan" in such clause (B) and inserting in lieu thereof "assistance, aid, or payments";

(7) by striking out "section 3 (a) (4) (A) (i) and (ii) or section 1603 (a) (4) (A) (i) and (ii)" in section 1902 (a) (20) (C) and inserting in lieu thereof "section 1608 (b) (1) (A) and (B)";

(8) by striking out "title X (or title XVI, insofar as it relates to the blind) was different from the State agency which administered or supervised the administration of the State plan approved under title I (or title XVI, insofar as it relates to the aged), the State agency which administered or supervised the administration of such plan approved under title X (or title XVI, insofar as it relates to the blind)" in the last sentence of section 1902 (a) and inserting in lieu thereof "title XVI, insofar as it relates to the blind, was different from the agency which administered or supervised the administration of such plan insofar as it relates to the aged, the agency which administered or supervised the administration of the plan insofar as it relates to the blind";

(9) by striking out "section 406 (a) (2)" in section 1902 (b) (2) and inserting in lieu thereof "section 405 (b)";

(10) by striking out "I, X, XIV, or XVI, or part A" in section 1902 (c) and inserting in lieu thereof

"XVI or under an agreement under part E";

(11) by striking out "I, X, XIV, or XVI, or part A" in section 1903 (a) (1) and inserting in lieu thereof "XVI or under an agreement under part E";

(12) by repealing section 1903 (c);

(13) by striking out "highest amount which would ordinarily be paid to a family of the same size without any income or resources in the form of money payments, under the plan of the State approved under part A of title IV of this Act" in section 1903 (f) (1) (B) (i) and inserting in lieu thereof "highest total amount which would ordinarily be paid under parts D and E of title IV to a family of the same size without income or resources, eligible in that State for money payments under part E of title IV of this Act";

(14) (A) by striking out "the 'highest amount which would ordinarily be paid' to such family under the State's plan approved under part A of title IV of this Act" in section 1903 (f) (3) and inserting in lieu thereof "the 'highest total amount which would ordinarily be paid' to such family", and

(B) by striking out "section 408" in such section and inserting in lieu thereof "section 406";

(15) by striking out "I, X, XIV, or XVI, of part A" in section 1903 (f) (4) (A) and inserting in

lieu thereof "XVI or under an agreement under part E"; and

(16) (A) by striking out "aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title VI, who are—" in the matter preceding clause (i) in section 1905 (a) and inserting in lieu thereof "payments under part E of title IV or aid under a State plan approved under title XVI, who are—",

(B) by striking out clause (ii) of such section and inserting in lieu thereof the following:

"(ii) receiving assistance to needy families with children as defined in section 405 (b), or payments pursuant to an agreement under part E of title IV,",

(C) by striking out clause (v) of such section and inserting in lieu thereof the following:

"(iv) severely disabled as defined by the Secretary in accordance with section 1602 (b) (4)," and

(D) by striking out "or assistance" and "I, X, XIV, or" in clause (vi), and in the second sentence of such section.

TITLE IV—GENERAL

EFFECTIVE DATE

SEC. 401. The amendments and repeals made by this Act shall become effective, and section 9 of the Act of April 19, 1950 (25 U.S.C. 639), is repealed effective, on July 1, 1971; except that—

(1) in the case of any State a statute of which (on July 1, 1971) prevents it from making the supplementary payments provided for in part E of title IV of the Social Security Act, as amended by this Act, and the legislature of which does not meet in a regular session which closes after the enactment of this Act and on or before July 1, 1971, the amendments and repeals made by this Act, and such repeal, shall become effective with respect to individuals in such State on the first July 1 which follows the close of the first regular session of the legislature of such State which closes after July 1, 1971, or (if earlier than such first July 1 after July 1, 1971) on the first day of the first calendar quarter following the date on which the State certifies it is no longer so prevented from making such payments; and

(2) in the case of any State a statute of which (on July 1, 1971) prevents it from complying with the requirements of section 1602 of the Social Security Act, as amended by this Act, and the legislature of which does not meet in a regular session which closes after the enactment of this Act and on or before July 1, 1971, the amendments made by title II of this Act shall be-

come effective on the first July 1 which follows the close of the first regular session of the legislature of such State which closes after July 1, 1971, or (subject to paragraph (1) of this section) on the earlier date on which such State submits a plan meeting the requirements of such section 1602;

and except that section 436 of the Social Security Act, as amended by this Act, shall be effective upon the enactment of this Act.

SAVING PROVISION

SEC. 402. (a) The Secretary shall pay to any State which has a State plan approved under title XVI of the Social Security Act, as amended by this Act, and has in effect an agreement under part E of title IV of such Act, for each quarter beginning after June 30, 1971, and prior to July 1, 1973, in addition to the amount payable to such State under such title and such agreement, an amount equal to the excess of—

(1) (A) 70 per centum of the total of those payments for such quarter pursuant to such agreement which are required under sections 451 and 452 of the Social Security Act (as amended by this Act), plus (B) the non-Federal share of expenditures for such quarter required under title XVI of the Social Security Act (as amended by this Act) as aid to the aged, blind, and

disabled (as defined in subsection (b) (1) of this section), over

(2) the non-Federal share of expenditures which would have been made during such quarter as aid or assistance under the plans of the State approved under titles I, IV (part (A)), X, XIV, and XVI had they continued in effect (as defined in subsection (b) (2) of this section).

(b) For purposes of subsection (a)—

(1) the non-Federal share of expenditures for any quarter required under title XVI of the Social Security Act, referred to in clause (B) of subsection (a) (1), means the difference between (A) the total of the expenditures for such quarter under the plan approved under such title as aid to the aged, blind, and disabled which would have been included as aid to the aged, blind, or disabled under the plan approved under such title as in effect for June 1971 plus so much of the rest of such expenditures as is required (as determined by the Secretary) by reason of the amendments to such title made by this Act, and (B) the total amounts determined under section 1604 of the Social Security Act for such State with respect to such expenditures for such quarter; and

(2) the non-Federal share of expenditures which

would have been made during any quarter under approved State plans, referred to in subsection (a) (2), means the difference between (A) the total of the expenditures which would have been made as aid or assistance (excluding emergency assistance specified in section 406(e) (1) (A) of the Social Security Act and foster care under section 408 thereof) for such quarter under the plans of such State approved under title I, IV (part A), X, XIV, and XVI of such Act and in effect in the month prior to the enactment of this Act if they had continued in effect during such quarter and if they had included (if they did not already do so) payments to dependent children of unemployed fathers authorized by section 407 of the Social Security Act (as in effect on the date of the enactment of this Act), and (B) the total of the amounts which would have been determined under sections 3, 403, 1003, 1403, and 1603, or under section 1118, of the Social Security Act for such State with respect to such expenditures for such quarter.

SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 403. Section 1108 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(e) (1) In applying the provisions of sections 442 (a) and (b), 443 (b) (2), 1603 (a) (1) and (b) (1), and 1604 (1) with respect to Puerto Rico, the Virgin Islands, or Guam, the amounts to be used shall (instead of the $500, $300, and $1,500 in such section 442 (a), the $500 and $300 in such section 442 (b), the $30 in clauses (A) and (B) of such section 443 (b) (2), the $1,500 in such section 1603 (a) (1), the $110 in such section 1603 (b) (1), and the $65 in section 1604 (1)) bear the same ratio to such $500, $300, $1,500, $500, $300, $30, $1,500, $110, and $65 as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the fifty States which has the lowest per capita income; except that in no case may the amounts so used exceed such $500, $300, $1,500, $500, $300, $30, $1,500, $110, and $65.

"(2) (A) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between July 1 and September 30 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be effective for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation.

"(B) The term 'United States', for purposes of subparagraph (A) only, means the fifty States and the District of Columbia.

"(3) If the amounts which would otherwise be promulgated for any fiscal year for any of the three States referred to in paragraph (1) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year."

MEANING OF SECRETARY AND FISCAL YEAR

SEC. 404. As used in this Act and in the amendments made by this Act, the term "Secretary" means, unless the context otherwise requires, the Secretary of Health, Education, and Welfare; and the term "fiscal year" means a period beginning with any July 1 and ending with the close of the following June 30.

Passed the House of Representatives April 16, 1970.

Attest: W. PAT JENNINGS,

Clerk.

March 5, 1970.

Principal Changes Made by the Ways and Means Committee in the Administration's Proposed Family Assistance Act

1. In place of the Administration's proposal that States be required to supplement the family benefit up to their payment levels as of July 1, 1969, the Committee bill requires supplementation up to the payment levels in effect in January 1970 or to the poverty level whichever is lower.
2. In place of the proposed "50-90 rule" which was designed to assure a range of States savings, the Committee bill provides 30 percent Federal matching for supplementary payments up to the poverty level.
3. In place of the proposal that one-half of unearned income constitute an offset against family assistance payments, the Committee provides that all unearned income constitute a dollar for dollar offset, thereby continuing present law.
4. The proposed exclusion of members of the armed forces and their families is eliminated from the bill.
5. States agreeing to have the Federal government administer their supplemental and adult assistance programs do not have to pay any part of the administrative cost (the original Administration proposal was that they pay one-half of this cost).
6. Child care projects are funded at 100 percent Federal cost rather than the proposed 90 percent.
7. Fathers in the working poor category (employed full-time) are required to register with the employment office.
8. New authority is added to establish a Federal claim for the amount of Federal welfare payments made to a family against a deserting parent or spouse.
9. In the aged, blind and disabled category, the proposed income floor of $90 per person per month is raised to $110.
10. The earnings disregard for the disabled is increased to the first $85 per month of earnings plus ½ of the rest (same as present law for the blind), and increased for the aged to the first $60 per month plus ½ the rest (same as FAP). The Administration bill had left present law unchanged.
11. For the aged, blind and disabled category, instead of the Administration proposal of paying 100 percent of the first $50, 50 percent of the next $15 and 25 percent thereafter of average benefits, the Federal matching formula is set at 90 percent of the first $65 and 25 percent thereafter.
12. The prohibition in the Administration bill preventing States from taking liens or recovering against the property of aged, blind and disabled recipients is deleted, permitting States to continue their present practice in this respect.
13. A savings clause is added whereby any State which would have to pay more in State funds under FAP plus the adult category changes than under existing law would have the required excess paid by the Federal government for two years.
14. An effective date of July 1, 1971, is set by the Committee rather than the Administration's effective date which would have depended on the date of enactment.

March 5, 1970.

Brief Description of the Family Assistance Act of 1970 as Reported by the Committee on Ways and Means

I. FAMILY ASSISTANCE BENEFITS

A. Eligibility for the New Family Assistance Benefit

Each family with children whose includable income (for definition of excluded income, see below) is less than the family benefit level—computed as $500 each for the first two members of the family and $300 for each additional member—would be eligible for a family assistance benefit. The amount of the benefit would be the difference between these amounts and the non-excluded income. For example, a family of four with no income would be eligible for a benefit of $1,600. Every family with children, both those now eligible under Aid for Families with Dependent Children (AFDC) and those not eligible because the father is working full-time (the working poor) would be eligible.

In determining income for the purpose of establishing eligibility for and the amount of the benefit, the following types and amounts of income would be entirely excluded:

(1) all earned income of adult members of the family at the rate of $60 per month plus ½ of the remainder (the so-called earnings incentive or disregard);
(2) food stamps and other public or private charity;
(3) allowances paid to those in job training;
(4) the tuition portion of scholarships and fellowships;
(5) home grown and used produce.

Subject to certain limitations prescribed by the Secretary of HEW, the following types and amounts of income would also be excludable:

(6) all earnings of a child under age 21 and attending school;
(7) infrequently earned or small amounts of income;
(8) earnings needed to pay for necessary child care.

Remaining earned income and all unearned income (not otherwise excluded above) would be counted and would therefore result in a dollar-for-dollar reduction in family assistance payments. Such non-excludable income includes social security, civil service, and railroad retirement benefits; veterans compensation and pensions; farm price support payments and soil bank payments; alimony and child support payments; and interest, rent, dividends and so on.

A family with more than $1,500 in resources, other than the home, household goods, personal effects, and property essential to the family's means of self-support, would not be eligible for family assistance benefits.

B. Definitions of Family and Child

An eligible family must consist of two or more people related by blood, marriage or adoption and living together in the United States, at least one of whom is a dependent child (under age 18 or under 21 if attending school). The Secretary would apply State law in determining family relationships.

C. Registration with Public Employment Service

Each member of a family found to be eligible for family assistance benefits would be required to register with a public employment office unless he or she is:

(1) unable to work because of illness, incapacity, or advanced age;
(2) a mother caring for a child under 6;
(3) the mother, if the father is already required to register;
(4) a person is required to care for an ill member of the household; or
(5) a child who is either under the age of 16 or a student.

Any person who falls into one of the above exempt categories can still voluntarily register at the employment office.

If an individual required to register refused to do so or refused a suitable training or job opportunity without good cause, he would lose his eligibility for family assistance and State supplementary (see below) benefits. The family would continue to receive the reduced benefit, however.

A suitable job is defined in the bill as one taking into account an individual's health, safety, prior training and experience, distance to work, and other relevant factors. It must pay at least the Federal or State minimum wage if applicable, or the prevailing wage for jobs not covered by minimum wage legislation.

The Secretary of Health, Education, and Welfare is required to make sure that any necessary child care services are provided where an individual is registered and participating in training or employment.

II. STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFIT

A. Requirements for State Supplementation

Each State which had an AFDC payment level in January 1970 higher than the family assistance benefit must agree to supplement the family assistance benefit up to that previous payment level (except that if such level is greater than the poverty level, it may choose to supplement only up to the poverty level) in order to be eligible for Federal funds under other programs in the Social Security Act (e.g., maternal and child health services, social services, aid to the aged, blind and disabled, and medicaid).

The family assistance eligibility rules—e.g., the $1,500 resources limitation, the definition of family and child, the excludable income provisions (other than those related to the earnings incentive)—would be made applicable to the State supplementary programs, thereby resulting for the first time in national welfare eligibility standards. All States would be required to supplement the incomes of families where the father is unemployed (that coverage is now on an optional basis), or where the child is between age 18 and 21 and attending school (now also on an optional basis).

The States would not, however, be required to supplement cases in which the father was present in the home and working full time—the so-called working. poor.

The States would also be required to exclude certain portions of earned income in computing eligibility for and the amount of the supplementary payment. The States would have to exclude the first $720 a year of earned income plus:

(1) ⅓ of the earnings in excess of $720 but less than twice the amount of the family assistance benefit which would have been payable if the family had no income; and

(2) ⅕ of any income above that amount.

In other words, the State would first disregard $720 and then reduce its supplementary payment by 16⅔ cents for every dollar of earnings over the range between $720 and the point where no further family assistance benefits are payable ($3,920 for a family of four). Thus, the reduction in total welfare (FAP plus State supplemental) would be 67 cents for each dollar earned after $720 and up to $3,920 for a family of four. For earnings above that amount, the State could reduce its payment by 80 cents for each dollar of earnings.

B. Federal and State Financing Provisions

The Federal government would provide 30 percent matching for the cost of making supplementary payments, other than any supplementary payments which the State might make at its own initiative to the working poor, but there would be no matching for supplementary payments which exceed the poverty line.

In other words, if a State were paying an AFDC family of four with no other income $3,900 as of January 1970, it would be required to supplement the $1,600 family assistance payment by $2,120 to raise the benefit up to the $3,720 poverty line, but would not be required to provide a supplementary payment above the poverty line. By the same token, the Federal 30 percent matching would be available for the $2,120 but no more.

The bill establishes in law the poverty level for various family sizes, setting it at $3,270 for a family of four, and requires the Secretary of HEW to make annual cost-of-living adjustments in the amounts.

III. ADMINISTRATION

A. Administrative Arrangements

The bill provides for three alternative administrative arrangements of the family assistance program. First, the Secretary of Health, Education, and Welfare can make an arrangement with a State for the Federal government to administer both the family assistance program and the State supplementary program. Second, the Secretary can make an arrangement with a State for the State to administer both programs. Third, it is possible for a State to administer the supplementary payments and the Federal government to administer the family assistance program. However, if a State agrees to Federal administration of its supplemental program, the Federal share of the administrative costs would be increased from 50 percent to 100 percent.

New authority has been added to establish a Federal claim against any parent who deserts his spouse or children in an amount equal to the Federal dollars spent on family assistance and State supplementary payments to the family. This claim can be collected from any amounts owed to such parent by the Federal government.

IV. WORK AND TRAINING PROGRAMS

A. New Program Established

The existing work Incentive Program would be repealed and a new program would be established to take its place. The Secretary of Labor would assure the development of an employability plan for each individual registered with the employment office under the family assistance program.

The individuals would then receive the services and training called for under the plan (including grants to move a family to assured employment offered by the recipient State). Special work projects are authorized, subject to the "suitable job" protections, to provide employment opportunities for recipients. Appropriations (no dollar amount specified) are authorized to meet 90% of the cost of the program.

The Secretary would be required to use other manpower programs to the extent possible.

B. Training Allowances

Each person participating in the training program would receive an allowance of $30 a month, or the amount of the Manpower Development and Training Act allowance if higher for those enrolled in such programs, in addition to FAP and State payments. The Secretary would also provide allowances to cover the transportation and other costs associated with the training.

C. Child Care and Supportive Services

The Secretary of Health, Education, and Welfare is authorized to make payments for up to 100 percent of the cost of projects for child care needed by parents participating in the work, training, or rehabilitation programs. States would be required to provide other supportive social services—such as vocational rehabilitation, health and counseling—needed to enable recipients to enter training and jobs, and the Federal government would pay 90 percent of the cost of such efforts. (Other social service and child welfare authority in present law is left intact pending submission of further legislation expected shortly from the Administration.)

D. Annual Report

The Secretaries of Labor and Health, Education, and Welfare would file an annual report with the Congress on the operation of the training, child care and service programs.

V. AID TO THE AGED, BLIND, AND DISABLED

A. Federal Standards and Requirements

The present separate titles for programs for aid to the needy, aged, blind, and disabled are repealed and a new combined Federal-State program is established to cover essentially the same people.

Under the new program, the States could not have any duration of residence or length of citizenship requirement, or have relative responsibility provisions.

The States would be required to (1) provide a payment sufficient to bring each recipient's total income up to at least $110 a month or, if higher, the standard now in effect, (2) follow the Secretary's definition of blindness and severe disability, and (3) use the Federal definition of allowable resources applicable to the family assistance program ($1,500 plus home, personal effects and income-producing property essential to the person's support).

The so-called earnings incentives for the disabled and aged have been increased, requiring the States to exclude the first $85 per month of earnings plus ½ of the rest for the severely disabled (the same provision which now exists for the blind), and permitting the exclusion for the aged at the first $60 per month of earnings plus ½ of the rest (the same as the family assistance earnings disregard).

B. Federal Matching Provisions

The Federal government would pay 90 percent of the first $65 of average payments made to eligible persons, and 25 percent of the remainder up to a limit to be set by the Secretary. The Federal government would also pay 50 percent of the administrative costs.

C. Administration

As under the family assistance plan, the Secretary could enter into an agreement with a State under which the Federal government would perform all or some of the functions inlvoved in administering the program for the aged, blind and disabled. If the State chooses to contract with the Secretary to have him assume these functions, the Federal government would pay for 100 percent of the administrative costs.

VI. MISCELLANEOUS AND EFFECTIVE DATE

A. "Hold Harmless" Provision

Provision is made to pay annually to any State, for two years after the effective date of the Act, any amount by which its State costs for the State supplementary and adult assistance programs under the new law, taken together, exceed what its AFDC and adult assistance costs would have been under present law.

B. Special Provisions for Puerto Rico, Guam and the Virgin Islands

Both the new family assistance and adult category programs apply in these jurisdictions, but all of the dollar figures in both programs (except the initial earnings disregard—i.e., the first $60 per month in family assistance) are to be modified (but only downward) by the same proportion that the per capita income of each bears to that in the State with the lowest per capita income. This will not reduce the amounts for Guam and the Virgin Islands, but will result in about a 45 percent reduction for Puerto Rico.

C. Effective Date

The provisions of the bill would be effective on July 1, 1971, except that the child care provisions are effective immediately upon enactment.

Senator DOLE. Have you had a chance to review the President's proposal as set out in S. 2986? Have you had a chance to read the legislation?

Reverened JACKSON. I have not studied it thoroughly, though my staff has.

Senator DOLE. Do you share the general objective of the President's income maintenance proposal?

Reverend JACKSON. I go along with it generally except to say that $1,600 in our inflated economy is a minimum wage and not a livable wage.

Senator DOLE. How much does a family of four receive now? Isn't the average about $438? Even as meagre as $1,600 may be, I think it is an improvement.

At any rate, I think there is valuable objective here. We need to know for the record if you share that objective.

Reverened JACKSON. I am concerned about poverty being overcome. I am not impressed by the world's most abundant economy, approaching a trillion dollars, when people jump up 300 percent and still haven't touched the bottom of the ground. I couldn't be less impressed.

I think there should be some relationship between what a family of four needs and what it gets. I think that people in the neighborhood need to get the impression that there are certain inalienable rights, like eating and like having good health, like being educated, that our Government will go to drastic measures to protect.

I think they need to feel as wanted.

Senator DOLE. Don't you believe this is a step in that direction?

Reverend JACKSON. No. You see, I do not feel, and it could very well reflect on my feelings, I do not feel, being from South Carolina and having visited there last week—the people in South Carolina don't feel as wanted as the people in South Vietnam feel. They don't feel that they are as cared for.

They feel that there is a greater priority for South Vietnam than South Carolina, and when you see $80 billion of our budget moving towards protecting foreigners——

Senator DOLE. That has been reduced under this administration, I might add, by about $6 billion.

AMERICANIZATION PROGRAM

Reverend JACKSON. 69.9 percent of our budget is inclined toward supporting South Vietnamese, and only 12.2 percent inclined toward the health, education, and welfare collectively, and even that was suggested to be cut.

One cannot just feel a sense of being wanted. We want an Americanization program that is as significant as the Vietnamization program for us here.

Senator **Dole**. Those are very broad generalities. I think many of them are inaccurate.

Reverend **Jackson**. What I am saying what we want is accurate. It may be subjective. I just wouldn't think that it would be too much for an American who has made cotton king and hoed tobacco road and pushed back the mountainsides to ask to be considered as priority over somebody 10,000 miles away from where we live.

I don't think that is too much to ask. Perhaps it is. Do you think it is too much to ask?

Senator **Dole**. Let us talk about specifics. In the first place, 69 percent of the budget is not going to Vietnam and, secondly, we are not here to discuss foreign policy. It is not in the purview of this committee. Although this committee may find itself dealing with busing or some other area after a while.

Reverend **Jackson**. Busing the food may work. If the Panthers and Operation Breadbasket can walk them to the basements of churches, maybe the Government could bus them to places that have better food and more food.

Senator **Dole**. We talked about mobile commodity-type buses. With reference to income maintenance, you have said for the record that food stamps and commodity distribution programs are degrading. I share that view—in fact, I witnessed in my own State of Kansas that people must line up at the courthouse exposed to public view to receive a paltry sack of commodities once a month. I don't like it and you don't like it.

These are white people and black people.

Given that this is degrading, and that it hasn't worked, and we agree that we must make some changes. All I am trying to find out is, do you agree with the general objective stated by the President, by Senator Harris or by anyone else who has introduced income maintenance-type proposals? Just yes or no.

Reverend **Jackson**. There can't be a yes or no, because in one sense it is a rhetorical question. There must be some concern for the desire of the thing and the investment you put in it. You can't just desire to have $1,000 come out of a bank and you haven't put but $100 in it. So you desire a job and income for all people, and yet the investment is not commensurate with the desire, which is like a false hope.

What that does, really, is work to the psychological detriment of the poor people because it raises a hope but there is no program commensurate with the hope being raised. Ultimately you have disappointment.

Senator **Dole**. What do you think the program should be? What do you think we should do?

Reverend **Jackson**. What I think you ought to do is have a job or an income where a livable wage is included. What I think is that the national goal immediately ought to have a family of four moving toward a standard income that is commensurate with what is indicated by the labor statistics of what a family of four need.

Senator **Dole**. You qualify your program. You say moving toward. This is the same thing President Nixon said.

Reverend **Jackson**. I mean like immediately. I mean what must be considered, Senator, is that many of these poor people are of working households, and even if they continue——

Senator **Dole**. Let me point out there that under the present welfare program, if there is a husband working full time, you are not entitled to any benefits. This, of course, is done away with by the President's program. We do provide more benefits under the program, at least under the concept.

As the chairman said and others have said, the Congress will work its will, but I assume you had at least some endorsement in some way of the concept of income maintenance.

Reverend **Jackson**. I endorse the concept of improvement, but I cannot see—I am not an economist—I can't see the relationship between $1,600 and the needs of a family of four.

Now I would like for you to answer a question, if you don't mind. If a family of four has less than a livable income, what do you expect them to do to close the gap between what they have and what they need to live off of? What do you expect them to do?

Senator **Dole**. In the first place, if there were a husband in the house, and he were able to work I would expect him to work. Under this program, the first $720 a year is exempt. You can still make that much money without losing any benefits.

Reverend **Jackson**. We find that there are more working poor, people who work every day and make so little money until their working does not bring them up to the standard than there are people on welfare numerically. That is a fact.

My question is: If a family is allocated something less than a livable income, what do you expect that family to do to close the gap between his subsistence and his lifeline?

How do you expect him to close that gap if he is aged, if he is disabled, or if he is working and can't get anything to complement it?

Senator **Dole**. We have a responsibility with the States and local communities in providing for that family. But that is not the question we are discussing today.

I don't know what the panacea is. You are saying $6,000 or $8,000 a year. All I wanted to establish, since this hearing has been scheduled to discuss income maintenance programs, is whether you have specific suggestions or amendments to the President's program. If so, fine. If you think it ought to be expanded we should have your suggestions for the record.

If you feel it should be not even considered, we should have that for the record also.

But we are not a legislative committee. We can provide a platform for you to express your views and they will be widely publicized.

We will assure you of that on this committee. But what are your objectives?

What do you want for the family of four? Do you not want the President's program? Do you want Senator Harris' program? Whose program do you want? Or do you want a program of your own, or do you want anything?

Reverend **Jackson**. I want Senator McGovern's plan plus some marriage between the three plans proposed, but I want all of the proposals, individually or collectively, to have some relationship to what the family needs.

I want hunger in this Nation to be illegal. I think it ought to be as illegal for a child to starve as it is for a child to be able to buy liquor. I think it ought to be illegal for minors.

Senator Dole. You are talking in general terms. Let us talk specifically.

Reverend Jackson. If a child in a surplus economy is starving, somebody has not distributed some of God's food. Whoever is guilty ought to come before some court of law. But to assume that people are malnourished because parents, who are offered 78 cents a day per person in an inflated economy, don't have the education to buy the right food is a fallacy.

Senator Dole. We must be realistic. If we should talk about specific legislation, and be realistic in trying to help the people you represent here today, I share that view. No one on this committee endorses hunger, or starvation, but unless we can really provide some service for the Congress through specific discussion, then about all we do is provide a forum and really not achieve any results.

Reverend Jackson. But why can't you consider that the hunger question is very simple in this country in that we are producing surplus food?

Senator Dole. You can't eat cotton.

Reverend Jackson. No, but we are overproducing food.

Illinois is an agricultural export State. California is an agricultural export State. We have lands where we are paying people not to grow cotton, but they can grow corn, tomatoes and potatoes.

Senator Dole. Maybe tomatoes and potatoes but we have too much corn.

Reverend Jackson. But we have too little distribution of that corn.

Senator Dole. Senator Percy described that we have almost eliminated farmers through subsidies. If we can have the same success in eliminating the poor through subsidies, it will be a great program.

Reverend Jackson. Why can't the President check with some of us who have both the experience and the insight rather than just checking with Moynihan on the issue anyhow?

You see, parts of our problem is a gross insensitivity to what we are saying. You can riddle those of us who perhaps come here to share this with you, and even demean us by suave debate.

But be that as it may, when we get through discussing, while Presidents and politicians fiddle, stomachs burn. If we want to be consistent with the annotation "In God we trust," we know very well, that there are two things I desire, Lord don't give me too much, and the Lord lifted me up saying who is the Lord, but don't give me too little that I will steal and defame your name.

We know that petty thievery is an extension of reality made manifest when people are starving, and even more particularly when their hopes have been raised and there are no programs commensurate with raised hopes.

It is forked-tongue conversation to say I want people fed, have the ability to feed them, and not offer them the meal when the appetites are raised.

It is a disservice to the poor to play with them like that. That is why I asked you the specific question, if a family of four has $1,600 to survive with but needs $5,000 to live off of, what do you expect them to do to close the gap between their survival subsistence and essential needs?

Do you expect them to see when they are blind, to have energy when they are old? What do you expect them to do to close the gap?

I am asking for a program from the President who offered the Nation the challenge that he could lead them somewhere. I ain't offered to lead nobody nowhere. I am just testifying on what I see.

Senator. **Dole**. You probably share the same objective as the President. I don't think your goal is any loftier than his, not any less lofty than his.

Reverend **Jackson**. His ability is greater than mine and his ability to grapple with the situation is so different. The President needs to go to Cairo, Ill., where poor blacks and poor whites are in a confrontation that looks racist because you have poor whites and poor blacks threatening to kill each other.

Right, Senator Percy?

They threaten to kill each other all the time. The poor blacks think eliminating the poor whites will solve their problems, and the poor whites think eliminating the poor blacks will solve their problem.

Really, we need an expansion of the economy so as to reduce their insecurities. Both groups are threatened by death, itself. The poor whites and poor blacks in Cairo think they are going to starve and think there is not enough education to go around, enough medicine to go around, and nobody is there to institute these necessities or expand the economy, but just to continue gaming and playing with them.

That is what it amounts to. I suggest on some of the time the Vice President spends on the golf courses, on some of the time the President spends in going to foreign nations, there is a nation at home that he ran for office for, where people are crying for his presence but can only get his sermons, and they are not working.

Senator **Dole**. I don't think you want to play golf with the Vice President. It can be a dangerous business.

Reverend **Jackson**. Nobody should do that. I think he should quit trying to do something he can't do and start doing something he was elected for.

Senator **Dole**. I will yield to the Senator from Illinois.

Senator **Percy**. I would like to try to boil this down so we could have an affirmative answer. I think some of the questions are very pertinent.

$1,600 INADEQUATE FOR A FAMILY OF FOUR

As I understand your position, Reverend Jackson, you feel that the present welfare system is a failure and should be junked.

Second, that income maintenance as a basic principle is right as an objective and should replace the present system at the earliest possible time.

Third, you look on $1,600 as inadequate considering that it doesn't have a close enough relationship to what people need for a minimum subsistence as against today's cost of living.

I think most people would admit that if Congress continues to vacillate on this, does not enact the President's program in principle, which will cost $4.5 billion even at the $1,600 level, the cost of living alone will obsolete that figure if it hasn't right now.

Fourth, and lastly, you would like to see minimum subsistence standards put at the level where they are adjusted to what a family actually needs. For instance, in urban areas if you get $1,600 for a family of four and 25 percent goes for rent, that is $33.33 per month for rent.

In Morgan Park, Ill., on Saturday afternoon, the limited survey I made indicated you could rent an apartment for $125 a month of two rooms, which is just about minimum for a family of four. If you spend $125 a month for rent you don't have very much left for food and other things.

Are they the four points that you agree to affirmatively?

Reverend JACKSON. What was point No. 2?

Senator PERCY. First, that we ought to junk the present welfare system, it doesn't work; second, replace it with income maintenance as a much better system; third, that you disagree with the $1,600 level and; fourth, the level you are asking for should be adjusted to the minimum standard of living.

You are not asking for affluence but the minimum standard of living that the Department of Labor statistics show is required for a family of four or six or eight to actually live and subsist in some sense of dignity.

But in principle you agree with this program.

Reverend JACKSON. The welfare system as we now know it is a failure.

Senator PERCY. There we agree totally. Your position and that of the administration are similar.

Reverend JACKSON. It has failed to deliver people out of its locks and make them productive people.

Senator PERCY. Second, it should be replaced by income maintenance?

Reverend JACKSON. I agree it should be replaced with income maintenance, but also with a new word, such as subsidy, so as to remove the psychological stigma which is also a barrier to the poor people coming from behind.

Senator PERCY. And third, $1,600 is inadequate?

Reverend JACKSON. Wait a minute. Closely attached to the income maintenance has to be the realization that the people are asking for a job or an income, but the job has to reflect the energy put in. The money that comes out of the job has to reflect the energy put in the job, which is a great part of the problem—$1,600 does not approximate the need. Therefore, it raises the hope. For the people who are inspired by it, it is likened on to finding a hungry man asleep. It would be better to leave him asleep hungry until you found some food to feed him.

To have people think that this $1,600 now relieves the rich of any more responsibility of dealing with the poor, to have politicians thinking that now that you have a $1,600 minimum the people just must be lazy if they can't make it, that is to create some illusions within our social order that have economic effects upon the poor.

Senator PERCY. May I then clarify as point 5 your position as I understand it?

You are not just asking for money to be paid in, but you are putting emphasis on human dignity, a man's right to hold a job if he is physically able to do it, you are saying that there is an obligation on the public's part to provide the education, skill, and training so that that man can have a job with dignity.

That is another point in the President's program. It is an integral part of the cost structure. A man must have the right to upgrade himself to that position.

And child care is needed if a woman is burdened down by children during the day.

Reverend **Jackson**. Closely akin to that, Senator Dole, when we talk about being against the defense budget, we know that there has to be some level of realistic military protection, given the conflicts in the world, but we know there are minimum levels of defense.

When I was in school, if you were going to be an ROTC graduate, a soldier, which assumed that we only needed military defense, you could get the 2-year scholarship for the junior and senior years, and on into your fourth year.

The fact is that in terms of defense if a young man is going to medical school that is a sound investment. He ought to be paid to go to medical school. A man ought to be paid to go to law school. A mother who is raising the Nation's citizens, who perhaps may be raising the Nation's Presidents, Congressman, and leaders, ought to be paid to do that in dignity.

To assume that people will start having children farms because such a system exists would be to have a kind of contempt and a kind of disrespect for the mentality of the people caught in that bind.

The minimum subsistence is certainly just an absolute need.

What I would want you to say, and you were smart enough not to say it, is that people closed the gap between what they got and what they need by robbing, thievery, and stealing. That is basically how people close that gap.

You find in your poverty areas where people have $10 and need $20 and there is no visible way of getting it.

Then they just get it from whoever is available, whatever store is available for them to extort, whatever pocketbook is available for them to snatch. They close that gap.

Man's drive to survive is very strong. Men close those gaps but close them through unscrupulous means. I argue as Victor Hugo did, that sins and crimes will be committed in the darkness, but he who creates the darkness is the guilty one.

I am charging that the darkness is created whereby men engage in petty crime for food and stealing medicine and stuff is created by those who have the capacity to give light but seemingly have not yet arrived at the point where it is urgent that it be done.

Senator **Dole**. As I interpret your testimony, as pinpointed by the questions asked by Senator Percy and the chairman, I think you do pinpoint the approach of not just President Nixon's program but the other income maintenance programs pending not before this committee but before the Finance Committee.

I would agree as I said earlier, that we can't have second-class Americans, white or black. You can't expect to do with the stamp what other people do with dollars. We share that view.

I really believe we are more apt to find a constructive middle ground or solution to the problem if we work together. Despite the power of the President he needs persons like yourself to help him.

I recognize that it is easy to criticize. I am not above it myself from time to time in certain areas. But I think right now we are dealing with a national problem that is very grave, as you pointed out.

What the President needs and what Mr. Finch needs, and what Mr. Shultz needs, and what this committee needs are some specific suggestions on how we can bridge this gap between malnutrition on the one hand and low income on the other.

I haven't any predisposed notions about what should be in the final form. In fact, I am going to have some questions about income maintenance itself.

There are a lot of people in this country who feel this is the last straw if we start paying people, as you indicated before, for not working, start giving people cash instead of being on welfare rolls.

It is not just a question of rolling something through the Congress. It is going to be very difficult. What we need as I look at it, is your understanding and your help, because you have seen it firsthand, you have witnessed it in South Carolina, you have seen it in Illinois, all over the South and all over the North.

You will find it in Kansas if you go there. I would hope that in the weeks ahead, as we continue these hearings, and as the legislative committee gets into hearings, you will have some specific recommendations on how we can amend the present act or the pending acts, whichever one it may be.

Reverend **Jackson**. If he wants us to help him initiate some of these programs, why doesn't he call upon us in the planning of some of these programs?

We cannot conscientiously accept the final product of a group of insensitive men to what we are talking about.

I think it needs to be made very clear as we close relative to the whole handout of cash money sort of thing. He argued in the new federalism speech that if you just gave people money it would tend to reduce their incentive, that giving people money would make them lazy.

But the fact is that given the Kennedys, the Rockefellers, all the people with money, it has not made them lazy, but it has allowed them to express their ambition in terms of wanting power rather than wanting risks and things.

I think once we overcome the stigma, that once people get money they lose their ambition, and deal with the fact that power is as attractive and more attractive than politics, that we will get people whose highest ambition won't be a square meal or paid rent. We will get people whose ambition will be to be doctors, lawyers, leaders.

We cannot get any of this kind of input from one-fifth of our Nation so long as their highest ambition is the bottom.

Senator **Dole**. Thank you.

Senator **McGovern**. I have one or two more questions.

First of all, I want to make it clear that as for myself I didn't expect you or any other witness to come here with a specific legislative program.

As we have been reminded here this morning, this is not a legislative committee. We are interested in uncovering a problem and defining it, and trying to get some insight into what needs to be done.

You did say in the course of your remarks that you generally favored a proposal that I made some weeks ago, the human security Plan. That is a four-point program which includes, as one of those points, a children's allowance, a program that operates in every single industrial country in the world except the United States.

Reverend JACKSON. Don't the rich people have a $600 allowance tax write-off for their children?

Senator McGOVERN. That was the point I was going to make, that there is, as a matter of fact, a children's allowance in the United States today written into our income tax laws, as $600 exemption.

How does that affect the people that you speak for, the poor and the near poor?

Reverend JACKSON. Of the three plans that I have heard about, and the one I have seen enunciated——

Senator McGOVERN. I mean how does the income tax exemption benefit the poor family of Chicago or South Carolina?

Reverend JACKSON. For the families that are poor it doesen't benefit them at all because they don't have the $600 to write off.

Senator McGOVERN. So it is really a children's allowance for the rich.

Reverend JACKSON. That is what it amounts to already.

Of the three plans we have seen evidence of, yours plus some other things that we could argue about should be the form.

In terms of the President's concern, Senator Dole, and Senator McGovern's concern, Senator Harris' concern, Heineman's concern, if these men, individually or collectively, chose to relate to those of us who are fighting in these communities, you will find that our complaints are not habitual. We don't get any gratification, emotional, sexual or otherwise out of just arguing. There are other things to do in this society.

We would feel more respected if we were consulted and not just hear speeches here about it, but plans made with us and for us. That is the only way we can have a democratic rather than autocratic form of government.

We keep getting speeches down from the top about what would be good for us.

Senator DOLE. How many of these plans were you consulted on before they were drafted?

Have you been consulted on any of the programs that are now pending before the Senate before they were drafted?

Did Senator McGovern consult with you before he introduced his? Did Senator Harris?

Senator McGOVERN. I am saying, Senator, I haven't introduced my plan yet and one of the reasons I haven't was that I wanted to get some feedback from not only Reverend Jackson's group but others. I have deliberately delayed putting this in legislative form for that precise purpose.

Senator DOLE. I think that is one of the purposes of the hearing, to get the input either before or after it was introduced.

Reverend JACKSON. We plan a meeting of about 5,000 people, and the President is invited, and Senator McGovern. The President is invited to come and indicate to us what is on his mind so that we can tell him what is on our mind and hope that something creative will come.

Senator Harris is invited. The President is invited. Ben Heineman is invited. The President is invited if he chooses to come before a black audience that will give him the courtesy of not booing him, but will hear what he has to say.

If he will accord the audience that much respect, then it will accord him the courtesy of hearing what he has to say. Then we would respond in ways that would not be embarrassing to him, and we would come out with a national program made by the people of the Nation.

You certainly can't say that his Cabinet is representative of the people of the Nation.

Senator **Dole.** I am not certain that is within the scope of the hearing but will be glad to discuss it with you.

Reverend **Jackson.** You can't say that Moynihan speaks for the black Liberals, and he makes big statements about it. He does.

That is not for debate. That is the public record.

Senator **Dole.** If he speaks for the liberals, then apparently you are a conservative.

Senator **McGovern.** Reverend Jackson, again let me thank you for your appearance before this committee. We appreciate the testimony that you have offered. I am sure it will be read by other members of the committee who were not here today.

Let me say to Prof. Alvin L. Schorr, who was to have been our second witness today, that because of the importance of his statement and the careful preparation that has gone into that statement, I don't want to begin that in the noon hour.

I would like to ask Professor Schorr if he would return tomorrow morning and share the time with Mayor Lindsay of New York who will be the lead-off witness.

We will try to divide that time tomorrow so that the mayor goes on for approximately an hour and then we will hear from Professor Schorr, if that is agreeable.

Mr. **Schorr.** Yes, sir; no problem.

Senator **McGovern.** Thank you very much.

Thank you, Reverend Jackson.

The committee is in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:20 p.m. the select committee recessed, to reconvene at 10 a.m., Tuesday, March 3, 1970.)

NUTRITION AND HUMAN NEEDS

TUESDAY, MARCH 3, 1970

U.S. SENATE,
SELECT COMMITTEE ON NUTRITION AND HUMAN NEEDS,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room G-308, New Senate Office Building, Senator George S. McGovern (chairman of the committee) presiding.

Present: Senators McGovern, Cook, Dole, Javits, and Percy.

Also present: William C. Smith, staff director and general counsel; Peter Stavrianos, professional staff member; and Clarence V. McKee, professional staff member for the minority.

OPENING STATEMENT BY HON. GEORGE McGOVERN, A U.S. SENATOR FROM SOUTH DAKOTA, CHAIRMAN OF THE COMMITTEE

Senator McGOVERN. The committee will be in order.

I think we are extremely fortunate this morning to have as our witness a public figure, the Mayor of a great city who, for years, has concerned himself with the problems with which this committee is directly concerned. That is the problem of nutrition and related human needs.

DIRECTLY INVOLVED

Mayor Lindsay is known as a mayor who has involved himself directly in trying to develop improved programs in the whole range of human assistance, and in many respects New York has pioneered in this field to the point where some of the people appearing before this committee from other parts of the country, and some of the resource people whose advice we have sought, have pointed to New York City and to Mayor Lindsay as examples that the committee ought to study with the end in mind of developing better programs for the Nation as a whole.

We are very happy to have Mayor Lindsay with us this morning.

He is accompanied by Commissioner Mitchell Ginsberg, the administrator of the Human Resources Administration of New York City.

We are also happy to welcome the new mayor of Pittsburgh, Mayor Peter Flaherty.

We are grateful that you are here, Mayor. We may want to reserve the right, after Mayor Lindsay gives his statement, to draw you into the question period or ask for any comments you may wish to make in response to what Mayor Lindsay has said. We are delighted that you are with us.

I would like to call on the senior minority member of the committee, Senator Javits, with whom I and other members of the committee have worked so closely in carrying on the program of the committee. Perhaps he would present our witness for the day.

STATEMENT BY HON. JACOB K. JAVITS, A U.S. SENATOR, FROM NEW YORK, INTRODUCING MAYOR JOHN V. LINDSAY OF NEW YORK CITY

Senator JAVITS. Thank you, Mr. Chairman. The Chair has very adequately presented the mayor who speaks from a large amount of experience which should be presented to the country. Many of the conditions which the committee has been investigating cause problems which really must be seen to be understood. Mayor Lindsay has seen these conditions and problems, has worked to help eliminate them, and will provide the committee with valuable insight into how we can correct some of these social ills.

I would like to present a description of our administrator of the Human Resources Agency in New York City. He is a full professor and associate dean of the Columbia School of Social Work, as well as consultant to the Office of Economic Opportunity, and has worked very actively in Community Action and Headstart.

We, in New York, consider him to be one of the most eminent authorities in his field and feel indeed fortunate to have him.

I, too, would like to welcome Mayor Flaherty and congratulate him on being the new mayor of Pittsburgh.

I wish to express my satisfaction to the Chair for allowing this opportunity to the chief executive of New York City to present a very profound measure of expertise and experience on this very tragic problem.

Thank you, Mr. Chairman.

STATEMENT OF HON. JOHN V. LINDSAY, MAYOR OF NEW YORK CITY, N.Y., ACCOMPANIED BY MITCHELL GINSBERG, COMMISSIONER, ADMINISTRATOR, HUMAN RESOURCES ADMINISTRATION, NEW YORK, N.Y.

Mayor LINDSAY. Senator McGovern and Senator Javits, first allow me to express my appreciation to you both and to your colleagues on this committee for the privilege of appearing before you and talking about matters pertaining to poor people.

Those matters have to do, of course, with their sustenance, their maintenance, their general welfare, and grouped into that, of course, are programs that attack poverty, that attack hunger, and that attack conditions of indignity and indecency, in general. Of course, I am buoyed and supported in this as I have been for the last 4½ years by my colleague, dear friend and associate, Mitchell Ginsberg, the administrator of the human resources administration in New York, prior to that the commissioner of welfare, now known as social services.

Senator Javits, you demoted him. He is the dean-designate of the New York School of Social Work. He assumes office in January of 1971 as the dean, which means that I shall be losing him as a full-time partner and I shall retain him only as a part-time partner.

But I want to say that the better part of the last 4 years in my life has been in part because of the association with Mitch Ginsberg, who is not only a great man in government and on social and political science, but he is also a very congenial companion to have at all times.

It is nice to be associated on this platform, too, with the new, still esh, young mayor of Pittsburgh. It has given the mayoring business a big lift all around the country and for me, particularly, to have this young man willing to take on this battle in his city of Pittsburgh.

He waged a strong campaign for it and he has begun his administration with skill and effectiveness which has been widely noted.

The importance of this hearing, I think, can't be overstated. It is significantly important and it comes at the most critical possible time. This moment that we are now in, with the House of Representatives the other body, on the edge of moving forward somewhat in the area of welfare reform and this body considering several different approaches in this area, including the problem of hunger, comes not a moment too soon. We need it desperately.

I want to submit for the record the full prepared statement that I have. I would appreciate that because I am going to cut it down very substantially in my main presentation.

INCOME MAINTENANCE PROGRAMS

The first thing that I wanted to address myself to has to do with the present income maintenance programs as we see them, and what we think the Federal Government must do on an immediate basis.

I would like to emphasize that most of what I am talking about and what the Congress is considering at the moment in all of its parts really are first-step measures, steps toward a new direction.

There are a lot of general overhauls that we think have to be done in the whole area of the treatment of the support of the poor.

As to the failures of the present system, I think it hardly needs saying that the perpetuation of the antiquated and inefficient system that we have now has aroused the hatred of all segments of society and, on top of that, society's neglect of the working poor has increased the polarization between minority group poor and the working class.

Welfare has been unable to achieve its original, basic objectives of providing both minimally adequate living standards and incentives to self-support.

It actually contributes to the instability of poor families by denying support to intact families in many States, and it denies any Federal aid at all to destitute couples and single persons.

It is uneconomical from a cost-effective point of view and is often demeaning and destructive to people. The complexity of its administrative regulations defies equity and efficiency. And the lack of funds and mandates for research and evaluation have continued our ignorance of poverty problems.

Despite its serious inadequacies, the number of people dependent upon welfare has grown to such an extent that the burden public assistance places on the States and cities has become intolerable and threatens to become critical.

That, I can assure you, is an understatement.

In New York City, our program is more adequate than most. Despite the ravages of its costs, I am gratified that our program is able to protect most New Yorkers from hunger and exposure.

But the price of that protection is at the expense of many other needed public services—better education and health, job training and development, increased fire and police protection, more low- and middle-income housing; in other words, all the public services designed to prevent dependence on public assistance.

In many other States and cities, however, those who are eligible for assistance suffer acutely. In the 30 States whose welfare benefits for families are below the national average of $44 a month per person, many people go hungry and cold.

As to the current welfare reform legislation, the President's welfare reform proposals have recognized some of the basic difficulties with the present program and begin to move in a positive direction. They establish some principles of significance.

FEDERAL ASSISTANCE INADEQUATE

Federal assistance to assure a minimal income floor in all States—though the level is far too low, coverage of the working poor who struggle for wages even below the welfare level, help for families in which the father and mother have stayed together despite an economic incentive to separate, and the option for States to turn over administration of the whole income maintenance program to the Federal Government. These are the steps forward.

Although neither the administration's proposal nor the House Ways and Means Committee bill fully meet the urgency of the situation, the committee did make a number of significant improvements and moved quickly toward reporting an essential piece of legislation for a vote.

I am gratified that we in New York City were able to have some influence on several crucial provisions as they were considered in the committee, and can claim substantial credit for two amendments: One that provides for 30 percent Federal sharing in the State supplements above the family assistance plan minimum of $1,600 a year for a family of four; and another that encourages the States to turn over administration of the whole program to the Federal Government.

IMPORTANCE OF HOUSE AMENDMENTS

I can't stress enough the importance of these two amendments that we believe will be adopted in the other body by the Ways and Means Committee this week.

The first amendment goes part of the way toward correcting one of the original bill's outstanding omissions—its failure to provide substantial relief for most of the urban States whose needy people are primarily families with dependent children.

It also keeps the Federal Government involved in the entire grant, thus reducing the vulnerability of what otherwise would have been virtually a separate State assistance program.

But the committee's stipulation that Federal sharing can be only up to the poverty level may hurt several million poor people if, in those States whose present grants are slightly above the poverty level, legislatures decide to reduce them.

The second amendment moves a significant step in the direction we have long advocated—entire Federal administration and financing of the income maintenance program. We fought hard to have a specific indication of this direction included in the bill—preferably through the device of stipulating an increasing Federal percentage share each year.

But although the Ways and Means draft has not provided for an eventual Federal takeover of all costs of income maintenance, it does hold out the possibility of Federal administration. This, at least, will hasten the separation in providing income and services on the delivery level—a move that we have found crucial to sound operation of a welfare program.

STRONG CASE FOR FEDERAL ASSUMPTION OF COSTS

The case for Federal assumption of welfare costs which grow, after all, from national causes, is a strong one. Until the Federal Government takes over the basic income-maintenance responsibility, States and cities will never have the funds required to attack the basic causes of financial need—poor housing, education, health, and employment opportunities.

The administration bill has other serious drawbacks, in addition to its failure to stipulate a phased-in Federal takeover.

From the point of view of the poor, there are very few States in which recipients in families will see any improvement in their situation.

By the time a bill is enacted—as I hope one will be—only half a dozen States will have family benefits below the low family assistance plan level of $500 a year each for the first two family members and $300 each for the rest.

The minimum benefit for adults—the aged, blind and disabled—is more nearly adequate at the rate of $110 per month per person.

The original bill and its amendments continue the outworn distinction between the so-called deserving poor—the aged and incapacitated—and the "undeserving poor"—struggling families and nonaged individuals.

Thus, also, it provides neither incentive to low-benefit States to improve their family programs nor sufficient relief to the States with higher benefits for families today.

The bill also continues Federal discrimination against childless couples and single persons. In New York, for example, we have about 60,000 such people receiving general assistance at a yearly cost to the city and State alone of $75 million.

This group is as deserving of Federal aid as any other.

Another serious omission from the family assistance plan is a definition of the kind of employment welfare recipients will be required to take. Neither the administration nor the Ways and Means Committee has been willing to guarantee the minimum or prevailing wage, whichever is higher, as a condition of employment.

I think it is obvious that such an omission can create a permanently underpaid class of workers with the blessing of the Federal Government. I strongly urge the members of this committee to see that this situation is corrected in the Senate.

Let me review now the provisions I hope the Senate will deem essential when it receives the welfare bill: (1) An increase in the Federal minimum grant level to the point where it will be of some real assistance to families without any income; (2) a provision for a phased-in Federal assumption of all income maintenance costs; (3) the insertion of language to implement the administration's pledge that no recipient will have his grant reduced by the bill, even in States where the benefit is above the poverty level; (4) a requirement that the appropriate Federal departments recalculate the poverty level annually; (5) the inclusion of childless couples and individuals in the welfare program; (6) a suitable definition of employment in terms of the minimum or prevailing wage, whichever is higher; and (7) the elimination of unrealistic work requirements for mothers of school-age children.

Senator JAVITS. I notice in your statement the reference to the so-called deserving poor and undeserving poor. Is that contained in one of those items 1 through 7?

Mayor LINDSAY. It is too simplistic to talk about underserving and deserving poor. Poor people are people, and poor people don't wish to be poor. Poor people find it degrading. If they are able to work, they want to work. If they are able to work but are not trained for any skill, they want to be trained so that they can work. Those are the general rules.

Senator JAVITS. What I had in mind was whether any of the eight items included a correction of the full Ways and Means Committee reported bill.

Mayor LINDSAY. I should point out that the original bill and its amendments continue this outworn distinction between the so-called deserving poor, which is the aged and the incapacitated generally, and the underserving poor which are struggling families and nonaged individuals. That is bad. We don't need that in legislation. It doesn't serve any useful purpose and, in fact, it can hurt.

The opportunity for Senate amendment will, I am optimistic, come much sooner than many of us had anticipated, because of the rapid consideration given the bill by the Ways and Means Committee. Several Senate bills have already been introduced incorporating many of the suggestions I have just made.

Particularly promising is the bill introduced by Senator Harris which provides for the staging-in of full Federal financial and administrative responsibility, sets basic income at least at the poverty level, covers all persons who fall below that income level, gives incentives to employment through the device of exempting certain proportions of earned income, and sets realistic work requirements and standards of suitable employment.

These should be the goals. I, and the mayors of many other large cities whose citizens at all income levels are suffering from the present system, have pledged to do all we can to work for the speedy enactment of realistic welfare reform. So have the governors endorsed a progressive welfare program. And soon the Senate's chance for contributing to these goals will come.

Let us all move quickly for action in this session of the Congress.

As I said earlier, however, this is but the first step, and only a partial step at that. It has often been said that New York City has already reformed the present welfare system nearly to the limit, and therefore provides us with a profile of what can be expected in the rest of the Nation.

I can testify, therefore, that simply reforming the present system—while absolutely crucial at this time—will not do in the long run. Broader, more basic change is required.

Commissioner Ginsberg is the author of every single one of the reforms we have been able to introduce in New York, some under the Federal permission of demonstration programs. Almost all of them have proven their basic worth.

LOOKING AHEAD

The main point I would like to make today is that it is time now to stand back, take a look at the real social issues involved, and begin to devise a broad policy that may hold promise of actually solving the problems of poverty, rather than merely tinkering with the structure of programs we already have.

Looking ahead, I would like to outline a series of approaches that should seriously be considered as a package to provide basic income assurance without damaging incentive to work.

Many of the proposals in this package are not new. Both Commissioner Ginsberg and I have made these points over and over in the past, including in 1967 testimony before the Senate Subcommittee on Employment, Manpower and Poverty. There, Commissioner Ginsberg made certain predictions, all of which have been proved true.

HUMAN SECURITY PLAN

Senator McGovern, the distinguished chairman of this committee, has just announced a plan incorporating many of these points in a comprehensive proposal of his own. But the importance of considering such programs has to be underscored many times over.

The following are five elements of what I think might be a satisfactory approach to poverty problems in this country. I respectfully submit them to you for your consideration.

First, I believe we should guarantee the right of every able-bodied, willing person to a job at an adequate wage.

I believe strongly that the basic source of income in America will remain earned income and that long-range programs are satisfactory only so far as they protect incentives for employment.

An obvious step toward protecting the so-called work ethic is, of course, improvement in the minimum wage. Today, a man working full time at the minimum wage of about $3,300, if he has a wife and one child, is barely above the poverty line. If he has two children, he has fallen well below it, and if he has more, he is among the poorest of the poor.

Good will statements about full employment are not enough; the growing cooperation of the business community in the attack on hard-core employment is not enough; the hazards of national economic policy can be too much. Already we are talking about increasing unemployment while demanding reduction in the welfare rolls—obviously incompatible goals.

Therefore, the Federal Government must mandate and finance a job for every person who is willing and able. This could be accomplished in two ways. First, through the greater involvement of private industry, remembering that private enterprise is not a social agency.

Therefore, consideration should be given to extending the concept of subsidizing private industry for the employment of persons who are not 100-percent productive when they first come on the job.

PUBLIC SERVICE JOBS NOT "MAKE WORK" JOBS

The second route to guaranteed employment would be through the creation of hundreds of thousands of jobs in municipal and State governments throughout the country. One need only look at our city departments to see that "make work" jobs are not necessary. Work is obviously available for all kinds of personnel in hospitals, health and welfare centers, schools, museums, parks, police, and sanitation departments.

With Federal assistance, public departments would be enabled to employ workers they badly need, the worker would receive his income in earned salary rather than public assistance, the cost would be no greater for the taxpayers, yet they would be provided with services for which they have long been clamoring, and the worker would enter the mainstream of the economy with all the obvious benefits to himself and his family.

Our experience with the Public Service Employment program—though only limited funds were available—has shown that this kind of approach can be highly successful.

Second, I propose that active consideration be given to a different kind of income maintenance plan such as a children's allowance or a negative income tax. Most of the study and discussion in this country has been of the negative income tax, but I would urge that the comparative merits of a grant to children be explored before a decision is made.

CHILDREN'S ALLOWANCE DOES NOT AFFECT BIRTHRATE

Since most other Western nations have adopted a children's allowance plan, without undesirable effects on the birth rate, there is wide experience upon which to draw. The plan can operate in many different ways, but basically, every family, regardless of income, would receive a certain amount per child. Depending on the level at which the allowance was set, and the point at which it was recovered from more affluent families in taxes, the annual cost would vary.

Of course, an essential step in creating a children's allowance system would be to eliminate the $600 per dependent exemption now provided for in the Federal income tax program. Only those who earn enough to pay taxes now benefit from this form of a children's allowance. Those who are poor receive no benefit at all.

Since this benefit would be given to all families with children, it would reduce the disincentive to work inherent in most other income maintenance plans. Whatever a man earned would be over and above the allowance. Such an allowance would be simple to administer—no small consideration compared with the ills of the current system—and would provide aid to those families now just above the poverty line.

This is a crucial goal. The growing division in this country—and I witness its effects every day at city hall—between those on welfare and those just above it, threatens to become explosive.

At this point in history, it is particularly vital to devise programs that avoid creating special classes of recipients and dividing them from the rest of society.

The lower income groups who now feel most threatened by and most hostile to new social programs should be enabled to benefit from them.

Finally, let me say that I am cognizant of an often-made criticism of children's allowances—namely, that they offer an unwanted incentive for larger families. In other Western countries, however, experience has not shown this danger to be a real one, and let us not forget that the allowance would not be sufficiently great to allow anyone to get rich on it.

A third step would be increase the social security benefit level and broaden its coverage to include all the aged, and the disabled and blind at any age, whether or not they had contributed to the system. It makes no sense to keep a relatively small number of people out of a program that has achieved the simplicity and dignity enjoyed by the social security system.

With a minimum benefit of $110 a month, most of the 100,000 adults on welfare in New York City, for example, could be transferred to social security at no increase in overall cost, but with a reduction in staff and facilities.

A fourth step would grow inevitably from the first three—and that would be a much-reduced, highly simplified emergency assistance program for those persons or families who are not aided by the first three programs.

This program would be, in fact, what the original designers of public assistance expected it to be: for temporary relief in times of individual, family or area crisis such as unemployment, illness, fire or local depression.

And finally, as a fifth component of a national antipoverty policy, I would suggest a broad program of public social services, designed to prevent families from falling into poverty as well as helping those also receiving income support.

These services would include day care, homemaker service, family planning and counseling, arrangement of education and vocational training plans, child welfare services, referrals to employment, programs for the aged, and the like.

Today, most of these programs—where they exist—are available only to welfare recipients and only recently has the Federal Government participated in their financing. Especially in a time of rising living costs, provision of free services—and I would add here health services—can be crucial to keeping a family self-supporting.

Before concluding, I would like to comment upon this committee's primary concern, which cannot be separated from any of the other subjects I have alluded to thus far.

SUPPORT NATIONWIDE FOOD STAMP PROGRAM

I support a sound, nationwide food stamp program as an interim step in the development of a basic income support plan. The hungry cannot be told to wait for that.

There is no need for me to comment on the needs of the hungry before this committee. With respect to the administration of a food stamp program, however, I think it important to urge the Congress to keep food plans flexible enough to allow communities to choose not only either but both food stamps and surplus commodities, and comprehensive enough to aid both persons with no income and families slightly above the welfare level.

As for the school lunch program, I was gratified by passage of the amendment sponsored by Senator Javits, extending eligibility to all children in families above the urban poverty line.

One of the most damaging actions of the New York State Legislature last year was the removal of State participation in the comprehensive school lunch program we have had in the city for years. Although Governor Rockefeller has recently announced resumed participation, Federal legislation on this issue will provide real protection for this vital program.

In conclusion, I would like to underscore the urgency of developing a sound, broad antipoverty policy not only for the sake of the income needs of the poor themselves, but also for the sake of our lower and middle-income citizens.

The continued existence of an alienated, disadvantaged group threatens the tranquility of entire cities. It affects the crime rate, the drug abuse problem and the health and cleanliness of large neighborhoods; it reduces the availability of funds for education, health, sanitation, protection and housing; and it increases anger at and resentment of one group by the other.

These problems and tensions will not be reduced by exhortations to tolerance or patchwork projects. Without a greatly increased Federal commitment of funds and a broadly conceived approach to the amelioration of poverty problems, the poor will continue to suffer, the taxpayers will continue to seethe, the cities will continue to deteriorate and the Nation will never unite.

(The prepared statement of Mayor John V. Lindsay follows:)

PREPARED STATEMENT OF MAYOR JOHN V. LINDSAY ON CURRENT INCOME MAINTENANCE PROBLEMS AND PROPOSALS

Mr. Chairman, I welcome this opportunity to testify before a committee which has already demonstrated its understanding of a basic fact that is too often ignored: that is, the complexity of poverty and the necessity of attacking its many symptoms on many fronts.

We have too often been misled by fads. At one time, we sold social services as the panacea—just give us more supportive services and the poor will disappear, we said. When that didn't work, social workers got a bad name. At another time, we championed self-help and community action—but when the poor did get involved in steering their own destinies and did, in fact, join the mainstream of lobbying, demanding, complaining American society, the poor got a bad name.

Then, we took up the cudgels against hunger. And I will not speak lightly about that. Hunger is too terrible a condition and too crippling to the life of every child that suffers its ravages. But I must congratulate the Select Committee on Nutrition for not falling into the traditional trap. Hunger is but one symptom of the disease of poverty that also causes sickness of all kinds, mental retardation, crippled family lives, division in society and shame for the richest nation on earth.

Finally, we have begun to face a root cause—the lack of money. Nor will I speak lightly about that. Its absence is threatening to cripple my city and those of many other mayors. This committee has recognized that in the attack on poverty there is no substitute for money, and that an improved income maintenance program will solve many of the problems of the poor.

But let us not be misled again. It is crucial, even while concentrating on one segment of the problem at a time, to keep in mind that only a broadly conceived social policy—something this nation has never had—can effectively reduce the growing disparity between those who live below the poverty line and those who live above it.

Keeping this in mind, I would like first to address myself to current problems with the present income maintenance program as we see them, and to discuss what seems necessary and possible for the Federal government to do on an immediate basis. But I would like to emphasize that this should be seen only as a first step in a new direction—toward a broad antipoverty policy with components that we in the City of New York have been urging since early in 1967.

In May of that year, Mitchell Ginsberg, who was then the City's Welfare Commissioner and is now my Administrator of Human Resources, testified before another Senate Committee—the Subcommittee on Employment, Manpower and Poverty. He outlined a series of changes in the welfare program which we felt were needed then and are even more urgently needed now, and made a prediction that has come true.

"What I can guarantee is that without changes, our welfare rolls will expand and the problems of our cities and our poor will grow larger and more acute. We cannot hope that a welfare system that is not working now will ever work better without drastic change. We simply cannot go on perpetuating a system that is designed to save money rather than people, and tragically ends up doing neither."

Failures of the present system

The perpetuation of this antiquated and inefficient system has aroused the hatred of all segments of society and, in its neglect of the working poor, has increased the polarization between the minority-group poor and the working class.

Welfare has been unable to achieve its original, basic objectives of providing both minimally adequate living standards and incentives to self support.

It actually contributes to the instability of poor families by denying support to intact families in many states, and it denies any Federal aid at all to destitute couples and single persons.

It is uneconomical from a cost-effective point of view and is often demeaning and destructive to people. The complexity of its administrative regulations defies equity and efficiency. And the lack of funds and mandates for research and evaluation have continued our ignorance of poverty problems.

Despite its serious inadequacies, the number of people dependent upon welfare has grown to such an extent that the burden public assistance places on the states and cities has become intolerable and threatens to become critical.

In New York City, our program is more adequate than most. Despite the ravages of its costs, I am gratified that our program is able to protect most New Yorkers from hunger and exposure. But the price of that protection is at the expense of many other needed public services—better education and health, job training and development, increased fire and police protection, more low and middle income housing; in other words, all the public services designed to prevent dependence on public assistance.

In many other states and cities, however, those who are eligible for assistance suffer acutely. In the 30 states whose welfare benefits for families are below the national average of $44 a month per person, many people go hungry and cold.

The basic inequity of a system under which aid ranges from about $10 a month per child in Mississippi to $66.40 a month in New Jersey raises obvious problems for national policy.

Such a gerry-built system should not be sustained by gerry-built repairs. I believe that the case for basic reform has been thoroughly made. The issue now is not *whether* reform, but what *kind* of reform.

We have stopped asking for more of the same principles that have not worked for thirty years—exclusive coverage, restrictive and complex administration. To put it more bluntly, perhaps we have stopped saying—keep as many of them off welfare as possible. We are now recognizing that there are simply a lot of poor people in this rich country, and we have an obligation to help them in as constructive a way as possible. We have looked at the poverty figures—about 25 million people living below the poverty level—and compared them with the welfare figures—about 10 million people receiving financial aid. We are no longer proud of the fact that we have left 15 million people to go hungry.

It is true that the bill for helping the nation's destitute has grown from $2.5 billion to $9.5 billion in the past dozen years. But it is also true that the Gross National Product and Personal Income Totals have more than doubled during that period—and expenditures for public assistance remain at about one percent of both. Despite our antipoverty rhetoric, we have increased our responsibilities to the nation's poor very little indeed during this period of unparalleled prosperity.

Current welfare reform legislation

The President's welfare reform proposals have recognized some of the basic difficulties with the present program and begin to move in a positive direction. They establish some principles of significance.

Federal assistance to assure a minimal income floor in all states—though the level is far too low, coverage of the working poor who struggle for wages even below the welfare level, help for families in which the father and mother have stayed together despite an economic incentive to separate, and the option for states to turn over administration of the whole income maintenance program to the Federal government.

Although neither the Administration's proposal nor the House Ways and Means Committee bill fully meet the urgency of the situation, the Committee did make a number of significant improvements and moved quickly toward reporting an essential piece of legislation out for a vote.

I am gratified that we in New York City were able to have some influence on several crucial provisions as they were considered in the committee, and can claim substantial credit for two amendments: one that provides for 30 percent Federal sharing in the state supplements above the Family Assistance Plan minimum of $1600 a year for a family of four, and another that encourages the states to turn over administration of the whole program to the Federal government.

The first amendment goes part of the way toward correcting one of the original bill's oustanding omissions—its failure to provide substantial relief for most of the urban states whose needy people are primarily families with dependent children. It also keeps the Federal government involved in the entire grant, thus reducing the vulnerability of what otherwise would have been virtually a separate state assistance program. But the Committee's stipulation that Federal sharing can be only up to the poverty level may hurt several million poor people if, in those states whose present grants are slightly above the poverty level, legislatures decide to reduce them.

The second amendment moves a significant step in the direction we have long advocated—entire Federal administration and financing of the income maintenance program. We fought hard to have a more specific indication of this direction included in the bill—preferably through the device of stipulating an increasing Federal percentage share each year. But although the Ways and Means draft has not provided for an eventual Federal take-over of all costs of income maintenance, it does hold out the possibility of federal administration. This, at least, will hasten the separation in providing income and services on the delivery level—a move that we have found crucial to sound operation of a welfare program.

The case for Federal assumption of welfare costs which grow, after all, from national causes, is a strong one. Until the Federal government takes over the basic income-maintenance responsibility, states and cities will never have the funds required to attack the basic causes of financial need—poor housing, education, health and employment opportunities.

Let us not forget that there are many precedents in other fields for a Federal subsidy program. The nation views subsidies for farmers, transportation and the communications industries, and many others as a proper function of the Federal government. Only when it comes to poor people is the subsidy called a handout and is seen as the province of states and localities. This is a 16th century notion that cannot be justified today.

The Administration bill has other serious drawbacks, in addition to its failure to stipulate a phased-in Federal takeover. From the point of view of the poor, there are very few states in which the recipients themselves will see any improvement in their situation. By the time a bill is enacted—as I hope one will be—only half a dozen states will have family benefits below the low Family Assistance Plan level of $500 each for the first two family members, $300 each for the next three, $200 for the sixth and $100 each for the rest.

The Ways and Means Committee action in reducing the amounts after the fifth or sixth child is self-defeating. It will not control family size, it will penalize children already born, and it will reduce already inadequate aid to large families. The bill already has a provision for family planning aid—that is the way to influence family size, not by reducing assistance to large families.

The original bill and its amendments continue the outworn distinction between the so-called "deserving poor"—the aged and incapacitated—and the "undeserving poor"—struggling families and non-aged individuals.

Thus, also, it provides neither incentive to low-benefit states to improve their family programs nor sufficient relief to the states with higher benefits for families today.

The bill also continues Federal discrimination against childless couples and single persons. In New York, for example, we have about 60,000 such people receiving General Assistance at a yearly cost to the City and State alone of $75 million. This group is as deserving of Federal aid as any other. It comprises the aging unemployed, not yet quite 65; people recently discharged from hospitals and mental institutions, the temporarily incapacitated and convalescent, the isolated and rootless population of our cities that live in furnished rooms. In states with limited General Assistance programs, these people go hungry. Do they not deserve Federal aid?

Another serious omission from the Family Assistance Plan is a definition of the kind of employment welfare recipients will be required to take. Neither the Administration nor the Ways and Means Committee has been willing to guarantee the minimum or prevailing wage, whichever is higher, as a condition of employment. I think it is obvious that such an omission can create a permanently underpaid class of workers with the blessing of the Federal government. I strongly urge the members of this committee to see that this situation is corrected in the Senate.

Let me review now the provisions I hope the Senate will deem essential when it receives the welfare bill: 1) an increase in the Federal minimum grant level to the point where it will be of some real assistance to families without any income, 2) a provision for a phased-in Federal assumption of all income maintenance costs, 3) the insertion of language to implement the administration's pledge that no recipient will have his grant reduced by the bill, even in states where the benefit is above the poverty level, 4) a requirement that the appropriate Federal departments re-calculate the poverty level annually, 5) the inclusion of childless couples and individuals in the welfare program, 6) a suitable definition of employment in terms of the minimum or prevailing wage, whichever is higher; 7) the elimination of unrealistic work requirements for mothers of school-age children, and 8) the elimination of a financial penalty for large families.

The opportunity for Senate amendment will, I am optimistic, come much sooner than many of us had anticipated, because of the rapid consideration given the bill by the Ways and Means Committee. Several Senate bills have already been introduced incorporating many of the suggestions I have just made. Particularly promising is the bill introduced by Senator Harris which provides for the staging in of full Federal financial and administrative responsibility, sets basic income at least at the poverty level, covers all persons who fall below that income level, gives incentives to employment through the device of exempting certain proportions of earned income, and sets realistic work requirements and standards of suitable employment.

These should be the goals. I, and the mayors of many other large cities whose citizens at all income levels are suffering from the present system, have pledged to do all we can to work for the speedy enactment of realistic welfare reform. So have the governors endorsed a progressive welfare platform. And soon the Senate's chance for contributing to these goals will come. Let us all move quickly for action in this session of the Congress.

The future

As I said earlier, however, this is but the first step, and only a partial step at that. It has often been said that New York City has already reformed the present welfare system nearly to the limit, and therefore provides us with a profile of what can be expected in the rest of the nation. I can testify, therefore, that simply reforming the present system—while absolutely crucial at this time—will not do in the long run. Broader, more basic change is required.

The main point that I would like to make today is that it is time now to stand back, take a look at the real social issues involved, and begin to devise a broad policy that may hold promise of actually solving the problems of poverty, rather than merely tinkering with the structure of programs we already have.

Looking ahead, I would like to outline a series of approaches that should seriously be considered as a package to provide basic income assurance without damaging incentive to work.

Many of the proposals in this package are not new. Both Commissioner Ginsberg and I have made these points over and over in the past, including in the 1967 testimony before the Senate Subcommittee I mentioned earlier.

Senator McGovern, the distinguished Chairman of this Committee, has just announced a plan incorporating many of these points in a comprehensive proposal of his own. In any event, the need for a broad program cannot be often enough reiterated.

The following are five elements of which I think might be a satisfactory approach to poverty problems in this country. I respectfully submit them to you for your consideration.

First, I believe we should guarantee the right of every able-bodied, willing person to a job at an adequate wage.

I believe strongly that the basic source of income in America will remain earned income and that long range programs are satisfactory only so far as they protect incentives for employment.

An obvious step toward protecting the so-called work ethic is of course improvement in the minimum wage. Today, a man working full time at the minimum wage of about $3300, if he has a wife and one child, is barely above the poverty line. If he has two children, he has fallen well below it, and if he has more, he is among the poorest of the poor.

Good will statements about full employment are not enough; the growing cooperation of the business community in the attack on hard-core employment is not enough; the hazards of national economic policy can be too much. Already we are talking about increasing unemployment while demanding reduction in the welfare rolls—obviously incompatible goals.

Therefore, the Federal government must mandate and finance a job for every person who is willing and able. This could be accomplished in two ways. First, through the greater involvement of private industry, remembering that private enterprise is not a social agency. Therefore, consideration should be given to extending the concept of subsidizing private industry for the employment of persons who are not 100 percent productive when they first come on the job.

If Mr. X is only 75 percent productive during his first year of employment, 25 percent of his salary could be subsidized while he develops good work habits and learns the skills required for full productivity.

The second route to guaranteed employment would be through the creation of hundreds of thousands of jobs in municipal and state governments throughout the country. One need only look at our city departments to see that "make work" jobs are not necessary. Work is obviously available for all kinds of personnel in hospitals, health and welfare centers, schools, museums, parks, police and sanitation departments.

With Federal assistance, public departments would be enabled to employ workers they badly need, the worker would receive his income in earned salary rather than public assistance, the cost would be no greater for the taxpayers, yet they would be provided with services for which they have long been clamoring, and the worker would enter the mainstream of the economy with all the obvious benefits to himself and his family.

Our experience with the Public Service Employment program—though only limited funds were available—has shown that this kind of approach can be highly successful.

Second, I propose that active consideration be given to a different kind of income maintenance plan such as a children's allowance or a negative income tax. Most of the study and discussion in this country has been of the negative income tax, but I would urge that the comparative merits of a grant to children be explored before a decision is made.

Since most other Western nations have adopted a children's allowance plan, without undesirable effects on the birth rate, there is wide experience upon which to draw. The plan can operate in many different ways, but basically, every family regardless of income would receive a certain amount per child. Depending on the level at which the allowance was set, and the point at which it was recovered from more affluent families in taxes, the annual cost would vary. Of course, an essential step in creating a children's allowance system would be to eliminate the $600 per dependent exemption now provided for in the Federal income tax program. Only those who earn enough to pay taxes now benefit from this form of a children's allowance. Those who are poor receive no benefit at all.

Since this benefit would be given to all families with children, it would reduce the disincentive to work inherent in most other income maintenance plans. Whatever a man earned would be over and above the allowance. Such an allowance would be simple to administer—no small consideration compared with the ills of the current system—and would provide aid to those families now just above the poverty line.

This is a crucial goal. The growing division in this country—and I witness its effects every day at City Hall—between those on welfare and those just above it, threatens to become explosive. At this point in our history, it is particularly vital to devise programs that avoid creating special classes of recipients and dividing them from the rest of society.

The lower-income groups who now feel most threatened by and most hostile to new social programs should be enabled to benefit from them.

Finally, let me say that I am cognizant of an often-made criticism of children's allowances—namely that they offer an unwanted incentive for larger families. In other western countries, however, experience has not shown this danger to be a real one, and let us not forget that the allowance would not be sufficiently great to allow anyone to get rich on it.

A third step would be increase the Social Security benefit level and broaden its coverage to include all the aged, and the disabled and blind at any age, whether or not they had contributed to the system. It makes no sense to keep a relatively small number of people out of a program that has achieved the simplicity and dignity enjoyed by the Social Security System. With a minimum benefit of $110 a month, most of the 100,000 adults on welfare in New York City, for example, could be transferred to Social Security at no increase in overall cost, but with a reduction in staff and facilities.

The extent to which such a move would violate the principle of contributory social insurance requires careful study. Congress has already blanketed in persons over the age of 72 who have not contributed to the program. The number remaining, I believe, would be relatively small and would decline with the years.

A fourth step would grow inevitably from the first three—and that would be a much-reduced, highly-simplified emergency assistance program for those persons or families who are not aided by the first three programs. This program would be, in fact, what the original designers of public assistance expected *it* to be: for temporary relief in times of individual, family or area crisis such as unemployment, illness, fire or local depression.

And finally, as a fifth component of a national anti-poverty policy, I would suggest a broad program of public social services, designed to prevent families from falling into poverty as well as helping those also receiving income support. These services would include day care, homemaker service, family planning and counseling, arrangement of education and vocational training plans, child welfare services, referrals to employment, programs for the aged, and the like.

Today, most of these programs—where they exist—are available only to welfare recipients and only recently has the Federal government participated in their financing. Especially in a time of rising living costs, provision of free services—and I would add here health services—can be crucial to keeping a family self-supporting.

Before concluding, I would like to comment upon this Committee's primary concern.

I support a sound, nationwide food stamp program as an interim step in the development of a basic income support plan. The hungry cannot be told to wait for that.

There is no need for me to comment on the needs of the hungry before this committee. With respect to the administration of a food-stamp program, however, I think it important to urge the Congress to keep food plans flexible enough to allow communities to choose not only either but both food stamps and surplus commodities, and comprehensive enough to aid both persons with no income and families slightly above the welfare level.

As for the school lunch program, I was gratified by passage of the amendment sponsored by Senator Javits, extending eligibility to all children in families above the urban poverty line. One of the most damaging actions of the New York State legislature last year was the removal of state participation in the comprehensive school lunch program we have had in the City for years. Although Governor Rockefeller has recently announced resumed participation, Federal legislation on this issue will provide real protection for this vital program.

In conclusion, I would like to underscore the urgency of developing a sound, broad antipoverty policy not only for the sake of the income needs of the poor themselves, but also for the sake of our lower and middle income citizens. The continued existence of an alienated, disadvantaged group threatens the tranquility of entire cities. It affects the crime rate, the drug abuse problem and the health and cleanliness of large neighborhoods; it reduces the availability of funds for education, health, sanitation, protection and housing; and it increases anger at and resentment of one group by the other.

These problems and tensions will not be reduced by exhortations to tolerance or patchwork projects. Without a greatly increased Federal commitment of funds and a broadly-conceived approach to the amelioration of poverty problems, the poor will continue to suffer, the taxpayers will continue to seethe, the cities will continue to deteriorate and the nation will never unite.

Senator McGOVERN. Thank you very much, Mayor Lindsay, for an excellent, thoughtful, comprehensive statement.

I think before the members of the committee ask any questions, I will ask whether Mayor Flaherty would like to add any observations to what has been said.

STATEMENT OF HON. PETER FLAHERTY, MAYOR OF THE CITY OF PITTSBURGH, PA.

Mayor FLAHERTY. Thank you, Senator. I am pleased to be here in such distinguished company this morning, endorsing the reform of welfare programs, and more participation by the Federal Government in income maintenance, and also jointly to urge and support this committee to continue its study into this matter of welfare reforms.

The Select Committee on Nutrition and Human Needs, I think, is directly involved and should be directly involved in the scope of welfare administration and welfare reform in this country.

POVERTY NATIONAL IN SCOPE

I know in my own State, in Pennsylvania, quite often when we go to the State for further aid in such areas as education, and the city of Pittsburgh hasn't had a new high school in over 40 years, when we go before the State government to try to get further assistance for our educational programs, quite often, and very realistically, we are told by the State that their hands are really tied and they are overburdened with welfare assistance programs.

I think the poverty program is one that is national in scope. It should be a Federal participating program.

I think with the aid of this committee it can be done without loss of dignity to the recipients. I fully support the work that you are doing. I am very happy to join with the distinguished mayor of New York this morning to support him in this endeavor as well.

Thank you.

Senator **McGovern**. Thank you, Mayor Flaherty.

I especially appreciated the recommendations that you made, Mayor Lindsay, the five-point program, because it parallels very closely, as you may know, my own thinking on this question.

It follows the so-called human security plan which we haven't introduced as a legislative proposal yet, because we wanted to get the reaction of people such as yourself and others who have had more experience in this field.

But I do want to endorse personally your outline of the general direction in which you feel we ought to move.

This committee is not interested in the specific legislative details of particular programs. That falls more properly within the legislative committees that have jurisdiction. But we are very much interested in the kind of observations you made here this morning about the general direction in which we ought to move on income maintenance.

An important part of both the proposal that I suggested and the comments that you made here this moring is the so-called children's allowance.

I suspect that the principal barrier to getting acceptance in the Congress and in the country to a children's allowance is the notion that somehow if you make payments of that kind it is going to produce a population increase.

Is there any evidence at all in the countries that have been operating for a number of years under a children's allowance, or in the States that have had a rather generous payment of some kind to cover dependent children, that that has resulted in an increase in the birth rate?

NO EVIDENCE THAT CHILDREN'S ALLOWANCE A BIRTH INCENTIVE

Mayor **Lindsay**. As far as I have been able to tell, Mr. Chairman, there is no evidence that anybody can point to, that a children's allowance becomes an incentive to people, whether they are poor or not, to have more children because of that allowance.

Perhaps Commissioner Ginsberg can add to what I have said.

Senator **McGovern**. Mr. Ginsberg?

Mr. **Ginsberg**. I would agree that there simply is no evidence. You can look at a number of countries that introduced the allowance and then found that the birth rate fell off.

In the Canadian experiments when they introduced it, and we didn't, there was no significant increase in the bith rate.

What is often overlooked in this country is that generally speaking the higher the income of the families, the more the tendency is to have smaller families.

I don't think there is evidence to point one way or another. We ought to keep in mind, Senator McGovern, we really do have a form of children's allowance now in that $600 and about to be higher exemption, though it is limited to certain income groups.

Senator **McGovern**. We really in a sense have a rich man's children's allowance today in the $600 income tax exemption, do we not.

Mr. **Ginsberg**. That is correct.

Senator **McGovern**. Mayor, my understanding would be that your proposal would eliminate the $600 income tax exemption. It would be a replacement for that, as far as it related to children.

Mayor **Lindsay**. We would urge that it be evened off so that a program would be introduced that would have an equal impact on all groups. The present system really does single out the higher income groups over those who need the help the most. Either leave what you have but balance if off with some recognition of the problem of larger families for poor people, or else change the whole thing.

I am not advocating right away that you drop the $600 exemption, per se. What I am suggesting is that the whole thing needs to be looked at so that all people in our society who have the problem of large families receive equal treatment.

Senator **McGovern**. We had an Australian visitor here in the committee yesterday who told me that there is a children's allowance in Australia which they installed some years ago, partly because they thought it might be a way to stimulate an increase in their population, but it didn't work. It had no impact at all on increasing the population.

I think the facts are that in the 62 countries that already have a children's allowance there has been no increase in the birth rate.

Is that correct, Commissioner Ginsberg?

Mr. **Ginsberg**. Yes, it is. Canada introduced it and we didn't. Yet, if you trace birth rates from there on, there was no difference at all.

Senator **McGovern**. Is it not also a fact according to HEW that in those States that have the most generous payments today for dependent children, that there are significantly fewer large families receiving payments than in the States where they have a poorer program on children's payments?

Mr. **Ginsberg**. That is right, sir.

Senator **McGovern**. Senator Javits?

Senator **Javits**. I have just one or two other questions on the children's allowance which interests me greatly.

Isn't it a fact, however, that the children's allowance would represent an affirmative payment rather than a tax deduction, as you have the $600 exemption now, and that this would go across the board to everybody. Therefore, the well-to-do family would get much more benefit out of it than it gets from the $600 exemption today. About 80 percent of the United States is well above the poverty level, so wouldn't that present a great difficulty in cost as compared with our desire, and I speak of both the mayor and myself, of having the Federal Government take over the whole welfare system?

NO PANACEA

Mr. **Ginsberg**. Senator Javits, let me say first of all I think no one program is going to do this job. I think we do have a tendency in this country to assume that there is a panacea. There isn't, whether it is a children's allowance or any other approach. It can only be a part of the pattern.

I think to the extent it does what you say it does, you have to balance that among the other alternatives. The truth, however, is that, obviously, this allowance would be taxable and that in the higher income families you would gain back substantially from the tax rate what was received in the allowance.

So it simply is not factual that the higher income families would do better than the low-income families. While I am on that, let me say personally there are a few clear-cut advantages to this children's allowance against any other one proposal that I think should not be overlooked.

The mayor has already referred to this. First of all, there is the crucial one, as I see it, of trying to do something about the division in this country between the people who are now on welfare and the people somewhat above it.

One cannot go around the community without being conscious of the extent of that. They feel they are being taxed for what they think of as "those people." This would do something about the marginal income groups because they would get benefits.

On the issue of simplicity of administration, I speak with some self-interest. The present program and most others are impossible, as a practical matter, to administer. This is far and away the simpler one to administer. The work incentive we are concerned about. This is the best possible approach to that.

It is sometimes said of this program, "Well, it does more for kids and it doesn't do it for adults." If you do something for kids, I think you do something for adults. But even if you didn't, I think it is time we did something for the kids in this country.

You know, we always say that children are our most precious possession, but having said that we don't do anything about it. So I am personally in favor of a program weighted somewhat in the direction of doing something for children.

Senator McGovern. Would you yield on that point before we move on?

I think it is important to clarify the question that Senator Javits raised because it would be necessary, in order to have a rational program, to make that children's allowance taxable.

If we did that, if you replaced the existing income tax exemption and made the children's allowance taxable, 70–80 percent of the benefits under the proposal the mayor referred to would go to families of $10,000 income or less.

Under the present system, the income tax exemption is just the reverse. Most of the benefits of the income tax allowance go to families above $10,000.

So you are moving an enormous step in the direction of a more equitable and rational program when you replace this existing rich man's income tax exemption with the children's allowance. I think that point ought to be kept in mind.

SUPPORT FOR CHILDREN'S ALLOWANCE

Senator Javits. I might say that I am very favorable to children's allowances.

In my last campaign I advocated it.

Facing, as we do, reality, Mr. Mayor, how close do you think the President's plan as now reported out by the House Ways and Means Committee comes to the children's allowance concept, and could we, as a practical matter, try to improve that rather than try for a new system altogether?

Mayor **Lindsay**. The Ways and Means Committee bill does not group in the children's allowance program. This body could do that.

How it would fare in conference is a tough question. I would not begin by being optimistic, however, knowing the institution as I do.

Senator **Javits**. In this choice between the children's allowance program and a gradual phase-in through Federal assumption of State welfare costs—the Federal Government taking over the whole welfare system—again adding the element of practicability, which would you prefer?

FEDERAL GOVERNMENT'S ROLE IN THE WHOLE WELFARE SYSTEM

Mayor **Lindsay**. The latter. We think the primary target, as we see it, is phasing-in by the Federal Government or taking over by the Federal Government on a phased basis as rapidly as possible, from our point of view.

Your income support programs, your present support programs that are for the below poverty level persons, those in the welfare categories, the working poor, and the administration of the whole program, this is the immediate target.

Obviously, the present system is unworkable. It cannot be administered. It must change. Therefore, we think this is the critical target for this Congress.

Senator **Javits**. Could you pinpoint for us why—in terms of the city taxpayer and the city administration—you say it is unworkable and why it must change? Keep in mind that you would lose control over it then because it would pass to the Federal Government.

Mayor **Lindsay**. I will try to be brief and then I will ask Commissioner Ginsberg to fill in the gaps. He is the man on the firing line even more than I.

No. 1, it is essentially a Federal program with certain State obligations and rights that go with it.

In New York City, the city is charged with the whole burden of administration. Outside of New York City it is the counties of the State.

Parenthetically, I should point out that now the counties outside of New York City are devoting between 35 and 60 percent of their county budgets to welfare. That is, the non-Federal share of welfare.

In New York City, our tax levy or New York City operating expense budget cost is one-third, approximately, of the whole cost of the whole system. I say one-third. That includes all aspects. That includes the non-Federal welfare program that is purely New York State, when you add it all up. It is approximately one-third.

DOUBLE SET OF REGULATIONS

Yet, we have to administer the whole thing. We have to administer it according to Federal regulations which are very complicated and very rigid. On top of that are our New York State regulations which are very complicated and very rigid.

Mitchell Ginsberg has to administer this program based on that double set of regulations which sometimes require us as a city to have our own regulations on top because of the layers that we are dealing with.

May I say that one of the problems is that our human resources administration has to be both judge and jury at the same time. We don't control who goes on welfare or who comes off welfare. That is fixed by State and Federal law.

Yet, we have to provide not only the home services and the social services, but we have to settle the arguments between poor people and the Federal Government.

In the last analysis, it comes down to a kind of administrative decision. When Commissioner Ginsberg predicted in 1966 that, as a result of the poverty program and other efforts, the welfare rolls were going to skyrocket, he was absolutely correct.

We find that people resent it bitterly, and don't understand that the city administration has no control over it.

Then, finally, I want to make this point, because it really needs making: Most of the States of the Union have gradually begun to move into a system whereby the State government would assume the non-Federal mandated cost of welfare as a statewide obligation, and in most of those cases they have also assumed the administration of it under the general assumption that administration should stay fairly close to the prime source of funding.

New York State has the second worst record in the Nation in this regard. New York State mandates on localities, New York City and counties outside of New York City, the largest non-Federal share of any other State in the Union, with one exception, and that is our neighbor New Jersey, which has an equally bad record.

Other States have been moving in the opposite direction, which is a statewide takeover as a preliminary to the National Government doing what it should do, which is to assume the whole business.

Massachusetts was one of the last to move in this direction, just a year ago. It has moved its program away from Boston and the counties into a statewide apparatus.

Worse than that, those States that still force, through their State legislatures, localities in those States to pick up a portion of the non-Federal share—all of them mandate a percentage that is not more than 5 percent.

New York State mandates 26.5 percent and in the Governor's most recent budget submitted to the legislature for the current oncoming State fiscal year mandates another percentage point, 2 more percentage points, to all of the localities, thereby going in the opposite direction.

The reason that most States are moving in the direction of statewide assumption of the non-Federal share is that you cannot run this system on a local basis. Populations are too mobile.

The problem is too complicated, and most county governments really can't stand it. Right now in my State of New York the percentage of welfare costs in Nassau, Suffolk County, Westchester County, Dutchess County, is hovering around 50 percent.

Westchester County, which is supposed to be one of the richest suburban counties of the United States, now has 50 percent of its county budget in welfare.

I have to tell you that the rate of increase at the moment in all of the suburban counties outside of the inner city of New York is higher than it is in the inner city.

Senator **JAVITS**. What proportion of New York City's budget is for welfare?

Mayor **LINDSAY**. Our welfare cost is approximately $1.5 billion this year, out of a total operating budget of $6.6 billion. That's about one-fourth.

Mayor **LINDSAY**. The city share is about $440 million out of a total of $4 billion in city funds, that's about 11 percent

Mr. **GINSBERG**. More money is spent now on welfare in New York City than is spent on education.

Senator **JAVITS**. They are not all city funds.

Mayor **LINDSAY**. No; one-third, approximately one-third.

Senator **JAVITS**. So it is one-third city funds and roughly a little under a fourth of the total budget for aggregate welfare cost.

Mayor **LINDSAY**. That is correct.

Senator **JAVITS**. Now a question: What proportion of that is attributable to the influx of poor families into New York in any given year, a decade, a half decade, and so on?

I think the mayor has touched on it. The national question is: "Why are we responsible? Aren't these New York City's poor?"

A FEDERAL RESPONSIBILITY

Mr. **GINSBERG**. I think the answer to that is clearly "No." I might say, incidentally, that it has always puzzled me that this is the only subsidy program in the United States that somebody finds a special value in having a State and local contribution.

Welfare is a subsidy program, like many other subsidies that you know of. All the others are defined as national in their scope and are financed entirely nationally.

There seems to be something sacred about the local contribution to welfare. I have never been able to figure that out. The truth is that in any one year, Senator, the proportion of people who come to New York and end up on welfare in that year is quite low, less than 2 percent. So that the notion that people fly up or get on a train and rush off to go on welfare simply is not so.

But cumulatively the effect is very important. People come to New York as they have for 100 years looking for better opportunities. When because of poor health, discrimination or lack of employment they end up on welfare, we pick up what is clearly a national burden.

So if you look at the figures for 5 or 10 years you will find that a very high proportion of the people who are now on welfare came from other parts of the country.

Senator **JAVITS**. Will you submit an analysis of that to us?

Mr. **GINSBERG**. Yes, we will. We have a thorough analysis which we would be glad to submit.[1]

Senator **JAVITS**. We want it for a given period of time. I think this is critical.

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[1] See p. 290.

I would hope, Senator Percy, that we could get the same from Chicago. Also I hope that we might get the same information from Pittsburgh.

I think, Mr. Mayor, if you could zero in on that issue it would explode one of the greatest illusions that exists.

Mr. GINSBERG. I might say, if I might, Senator Percy's Chicago experience is very similar to ours and would be quite supportive of what I have just said.

Mayor LINDSAY. I would add one thing to what the Commissioner said.

As the Kerner Commission and other commissions have pointed out, the demography is very hard to calculate by slide rule techniques.

First of all, national census programs are very weak, as you know. They are really not that accurate. In between census years, it is almost impossible, even through the U.S. Department of Labor, to get accurate figures on the movements of people.

The Kerner Commission report, of course, pointed out as statistically accurately as it could what the history has been. Poor people have moved from the South to the North, first to the east coast, mainly concentrating on New York, obviously, and the other industrial cities of the Northeast.

Then the great waves moved westward and central America got it and the midwestern cities got it. All you have to do is take a tour, as the Kerner Commission did, through the cities of the Midwest that went through urban disorders to find out what migration and the impact of poor people suddenly arriving was.

Then it moved farther westward. In California, it really has a tremendous pressure at the present time.

The second factor is that all of a sudden in each of these communities it began to ease a little bit in the central cities through various factors that may be too complicated to go into now, and began to reach into the suburbs.

SUPPORT FOR URBAN PROGRAMS

That is why, in traveling around our State looking for support for urban programs, if I really want to ring a bell in some generally regarded affluent suburban or upstate community, all I have to do is talk to the county executive there about welfare and he goes right through the roof because he has suddenly found himself overwhelmed by a problem that he never dreamt he would have.

That is why you have all of these county executives in New York State, and I am sure this is true of the other States, all of a sudden uptight over the fact that they have awakened and found that their county budgets are upward of 40, 45, 50, and over 50 percent on the problem of welfare.

Senator JAVITS. I have just one other question. I am sorry to have taken so long.

How critically important is it to you that the food quotient be included in the welfare payments?

Mr. GINSBERG. Yes, I think it is very important. If the alternative were to provide increased income, that is obviously preferable. It seems to me not realistic at the moment, so I do think that given that set of circumstances the inclusion of such a food quotient is essential.

May I take a word to add one point to your other question? I think it may point up the figures. In a period of about 10 years, New York City lost about 1 million people who were mainly white, middle-income, and New York City gained about 1 million people who were mainly low-income and minority group members.

In a sense, that had a geometric effect because the group that moved out not only was in a better position to help support the community, but needed less in the way of services. They were replaced by people who were less able to provide the support to the community and required, in turn, more of it.

Senator JAVITS. Who came from where?

Mr. GINSBERG. Well, in New York City they have come not exclusively but heavily from certain areas of the South and Puerto Rico.

Senator JAVITS. Thank you Mr., Chairman.

I thank my colleagues.

Senator MCGOVERN. Senator Percy.

Senator PERCY. Mr. Chairman, I welcome the mayor before the committee.

I can give the figures this afternoon that were asked for on migration.

In general tèrms, I think we can just say our pattern has been somewhat comparable in the last several decades. Our black population today is about 1 million. It moved gradually and steadily up from the South.

We have a movement from South to North and then from Middle West to West. Coming are in the undereducated, the unskilled. As I said on the Senate floor the other day to Senator Stennis, a decade or so ago you couldn't walk a half mile in Chicago without passing a white neighborhood. Today on the South Side it is 30 square miles of black ghetto and you can't walk 10 miles in a direction and pass any white neighborhood, practically. So this has been the pattern.

We bring in the unskilled and undereducated and we export from Illinois universities 90 percent of all Ph. D.'s we graduate, and a great many master degrees. So the brain drain goes West and we are left with many of the problems.

Even in the Chicago region we have the problems because this morning we have approximately 50,000 unemployed in the city of Chicago, most of them unskilled and undereducated and most of them black. We have 50,000 unfilled jobs in the factories in the suburbs, however. The migration of factories has been out of the cities.

So the city is left with a great problem. Our pattern is no different than New York, Detroit, or Los Angeles.

I was very interested, Mr. Mayor, in your comments on the disparity of distribution of revenue of government between the suburbs and the cities.

NO FOOD COMMODITY PROGRAM IN CHICAGO

I have been somewhat shocked to learn that if you are out of food totally in the suburbs of Chicago but live in Cook County you can get emergency food commodity distribution. You can actually go down and sign a piece of paper and say you don't have food and you get food.

But in the city of Chicago we don't have any emergency food commodity distribution program. The city says it can't somehow administer or handle the program.

What happens to a hungry family in New York that haven't the stamps, have used up their allowances, and is simply out of food? Is there some public agency they can go to to get food?

We had to go to the Jewell Tea Co. the other day to get food for starving malnourished children.

Mayor **Lindsay**. They go to the human resources administration and its component parts and get help.

Mr. **Ginsberg**. We do have a surplus commodity program in New York City.

Senator **Percy**. You don't find it impossible to administer?

Mr. **Ginsberg**. Well, we think the whole program, as you know, is really impossible to administer. We don't find that anymore impossible than the other aspects of it.

We do think that given a choice between food stamps and surplus commodities, the food stamp is a better program and we are now in the process of moving over from one to another.

We have long argued, and the mayor has several times testified, that both programs ought to be available in a city, not that the family could use both but they would be there as alternatives.

If you expect to get significant coverage, you have to have both. No one by itself will do the job.

Senator **Percy**. As you might know, we have had a breakdown in health services for the poor in Chicago. Ten days ago, Cook County Hospital simply said they could not accept anything except emergency cases. Out of 2,500 beds they had 15 available one night and an average of 60 people come in for admission every night. So they simply had to close the doors and say they couldn't accept them. The Cook County Hospital problem has overloaded all other hospitals.

What is your situation in New York with respect to health care? Are you able to handle those that need assistance regardless of whether they can pay for it or not?

21 FREE MUNICIPAL HOSPITALS IN NEW YORK CITY

Mayor **Lindsay**. We will both comment on that. We have 21 free municipal hospitals that serve people without charge. They take care of all comers. In those hospitals, since medicaid and medicare, in theory no person should use those hospitals unless he is enrolled in a medicare or medicaid program. If they are not enrolled, that means they ought to be able to afford some kind of a charge.

As a practical matter, that doesn't work. As a practical matter, those hospitals take all comers and we get reimbursement under existing programs as fast and as completely as we possibly can.

We are also in the process of establishing a whole network of family ambulatory care clinics for total health services in neighborhoods as satellites to these hospitals in order to head off the stream of people into the emergency centers of the hospitals.

Currently, we have seven of them that we have started, with only about three of them where we are really satisfied that they really are comprehensive. They take care of everything.

Senator Percy. Are these essentially OEO-funded?

Mayor Lindsay. Some of them. Half are OEO-funded and the other half are not.

Senator Percy. Is your experience extensive enough to demonstrate that, like little city halls, you are effectively decentralizing and putting health services out in the neighborhood where the whole family can come in and have remedial attention rather than receive attention when there is an emergency?

Mayor Lindsay. They are very good. Our experience hasn't been long. They have only been going a couple of years, but our experience has been superb with the ones that we do have. They are not cheap.

Fortunately, because the new and younger doctors coming along care about the urban problem, we are getting doctors who are willing to roll up their sleeves and do this.

In our health services, because of medicaid cutbacks in part, which really killed us, from the Federal and State Governments both, we are in a serious crisis on the funding of our hospitals.

OPERATING COSTS STAGGERING

You have no idea of the cost of these 21 municipal hospitals that we run. We are building some more, some new ones to replace deteriorated old ones. We have a multimillion dollar crash program to renovate the old ones that is ongoing, all funded by the city. But the operating costs are really killing us, and particularly with these stringent budgets.

We are facing for the fiscal year beginning July 1 an operating deficit of three-quarters of a billion dollars in our expense budget, and if we were able to meet that by any form of revenue—we don't have it now and we don't even have power from the State to gain tax ourselves—if we are able to close that gap we still would be only standing still on basic services.

Senator Percy. I think you will be pleased to know, Mr. Mayor, that through the influence of your own senior Senator the Hi-Burton Act is being brought up to date with an extension for the next 5 years placing great emphasis on modernization of hospitals and improving the formula to put heavier emphasis on medically indigent.

Mr. Ginsberg. May I add a word? It seems to me that the tragedy of medicaid was that it started to work well and as soon as it started to work and be used the Federal Government and the States moved in and cut it back.

I am not saying there weren't defects, obviously, there were. But we in New York City had thousands of kids who saw a dentist for the first time in their lives. There are other aspect of this.

We run a family planning program out in the neighborhoods in this decentralized way. These family planning clinics are crowded. We simply haven't been able to expand that program because there are no funds for it. It is an irony in a way. Everybody is in favor of cutting down welfare and yet they cut down on health.

The evidence indicates that if you are in poor health you are 5 times as likely to end up on welfare as if you are in good health.

So strictly from a financial point, it makes sense to have a good health program.

Senator **McGovern**. I would like to follow that with a question on what percentage of the budget in New York City goes into these health care programs.

Mr. **Ginsberg**. The medicaid program as such is administered jointly by the Department of Social Services which is part of HRA and the Department of Health which is part of the Health Services Administration.

But only a portion of the medical costs are included in one outfit.

Mayor **Lindsay**. I am guessing now and will have to check this. It is subject to correction. In the Health Services Administration, the biggest cost item is hospitals.

You are talking somewhere in the area of between $300 million and $400 million just for those hospitals alone in our budget.

Senator **McGovern**. What would the New York City component be?

Mayor **Lindsay**. That is all New York City. Then we have in addition the Narcotics Addiction Services' Agency, in which we have 60 facilities in neighborhoods around the city. We have health services in our school system which the city funds.

We have a big mental health component in our Health Services Administration, and so it goes. We fund massive research. We have big laboratories in our city. We even maintain a huge animal farm way upstate New York for the manufacture of experimental serums and things of that kind.

Senator **McGovern**. If you add the New York component on welfare cost with the New York component on health you are talking about $1 billion.

Mayor **Lindsay**. Sure.

Senator **McGovern**. Thank you.

Senator **Percy**. I am very much appreciative of your help on homeownership. I know you will be happy to know that it is now certainly a law and seems to be the most successful program FHA is administering.

NEIGHBORHOOD HEALTH CENTERS

I appreciate your comments on neighborhood health centers. This is a bill I put in a year or two ago, to provide for their construction.

I know, again, that Senator Javits has seen to it this new Hill-Burton bill does make, for the first time, provision for neighborhood health centers under Hill-Burton. I am going to ask his help to get the authorizations increased leaving the discretion with the States and communities as to the need for such centers. I think we ought to provide more for health centers because I think they are crucial.

Mayor Flaherty, the mayor of New York has indicated that $1,600 is inadequate for a family allowance in New York.

What would be a level of adequacy in Pittsburgh at minimum standards but adequate standards for a family of four? What provision do you make now for a family of four on welfare?

Mayor **Flaherty**. We have somewhat a different problem than New York but basically in our State the welfare is administered on the State level. Necessarily, this still affects the cities because when we go to the State government for educational subsidies they, in turn, are overburdened with the welfare program.

I don't know the exact figure on the question you mention. Senator, but in listening to the dialog here it occurs to me that one area where this committee could focus, and I think your aims and the scope of the work you are doing is correct and that you are justifiably entering into welfare reforms and administration. I think in order for this type of work to be salable to the entire country it is going to have to come across as more than a big city approach.

I fear that even by big city mayors, such as Mayor Lindsay, and perhaps even myself, coming here we tend to dramatize that it is a big city problem.

I would hope that you would invite some of the mayors of the suburban communities. As Mayor Lindsay touched on it, it is a dramatic statistic. Westchester County has now 50 percent of its budget in welfare. That is an astounding statistic.

I don't think the rest of America recognizes that welfare problems are beginning to exist in the suburbs. I think the new 1970 census statistics may give us some data that will show what is happening in America.

I, myself, as I listened to Mayor Lindsay's statistics on the affluent suburbs began to look at the suburbs in my own community. I think what is happening out there is many of the people who move into the suburbs—and my own mother and father live in the surburbs—all tend to become poor again, basically. As they reach 65 they lose their ability to generate income and they fall back on some type of fixed income. Then they are faced with inflation, and huge medical payments. They are not very insurable. So many things are happening out there in the suburbs. They are not young anymore. They are getting their senior citizen problems. They are getting their medical problems. They are faced with the same health conditions and the same pollutants that we are in the inner city.

I think maybe one area that the committee could focus on would be to show America that it is not any longer an inner city problem but it is a problem that is affecting regions of America and particularly suburban areas.

Senator **Percy**. The mayor of New York has said that he would like to see the Federal Government assume all administrative responsibility for the new welfare programs. How do you feel about this?

Mayor **Flaherty**. I join him in this, Senator, I do. I think this is an area where the Federal Government should make a complete takeover. It is not a business for cities or States. It would certainly free the cities and States to get into other areas much better than they have been so far, particularly the area of education in our State.

Senator **Percy**. Leaving aside how it is handled between municipal and State government, do you both support the concept of Federal revenue sharing as a principle?

Mayor **Flaherty**. I certainly do.

Mayor **Lindsay**. I do very strongly.

Senator **Percy**. And I assume that you take the position that the passthrough to the city should be assured in one fashion or another?

Mayor **Lindsay**. Yes; we do.

Mayor **Flaherty**. Yes.

Senator **Percy**. I would like to lastly ask your judgment on one aspect of your testimony with respect to working mothers, Mayor Lindsay. I really don't know what is right here. We have experimented in Cook County with programs that require people on welfare to work with great success. In fact, I think most people on welfare would like to work.

I think it is a false notion that they are just lazy and want to sit home and take the checks and not work. They are bored. They like to do it but for one reason or another they can't do it. It is that they are unskilled or have a physical disability or whatever it may be.

But in the case where we have an increasing proportion of welfare recipients being women, many mothers, who cannot read or write, who feel unwanted, unneeded, who feel burdened down with these children, it is important to have day care centers. I have introduced a major bill to sponsor construction of day care centers since it is not enough to provide operating expenses if you don't have the physical facilities. Where you have that opportunity for those children to be well-fed and cared for during the day, assuming this program will be implemented, wouldn't it be well to try to get that mother into a situation where she does learn to read or write, does develop some sort of a skill, is fresh to take care of her children in the evening and make up the deficiency and the lack in her own cultural and educational experience which really ill equips her to be a mother in modern society?

I would like to see not this argument put on the basis of forcing women to give up their children to work, which sounds cruel, but giving them every opportunity and every encouragement and urging to make up in later life, and some of these mothers with six children are still in their twenties or early thirties, to see if we can't for the next 30 years of their life make up for that deficiency.

It will cost a lot of money, but I think the Nixon administration is willing to invest $4 billion or $5 billion or more to start with, to see that we correct the fallacy of welfare programs in the past, largely which should be junked.

Mayor LINDSAY. Our experience is similar to yours, which is that mothers on welfare want to work. They want the training to work and they want jobs.

The problem has been to have facilities, as you mentioned, to take care of the children. Even more critical to have the operating funds to run them, which is even more difficult than building them.

A second problem is—even assuming that you have training programs that will train a welfare mother how to be a nurse's assistant, a technical person in a hospital or an aide in a hospital, for example, which is one of the great areas of usefulness, or office work, or anything else that you might wish—to so arrange her situation that she doesn't start by becoming a member of the working poor in a dead end situation.

That is why Commissioner Ginsberg initiated and pioneered in the whole area of incentives, partial maintenance in addition to earned income.

We have been doing this for some years now since Mr. Ginsberg came in, under demonstration permission from the Federal Government. It has worked very well indeed.

We have also found, I may say, considerable success with another demonstration that we have been running with a Labor Department grant for the male welfare clients who are untrained, with direct subsidy to private employers who would guarantee to take such a person and on a step-by-step basis elevate him in the income stream so that that person would know that he would not just be out of poverty circumstances but would rise above the working poor level.

He starts out, let us say, at a wage level which makes him automatically, if he has a family, a member of the working poor. He may be better off, he thinks, on welfare.

DIRECT SUBSIDY TO PRIVATE ENTERPRISE

This demonstration was a direct subsidy to a private employer to elevate that person in a series of steps, and the subsidy would give the employer the right to use that money for any kind of a training program that he wanted.

He had to elevate that man, and he could use that money to send him to school, hire teachers, do inshop, inservice stuff, any system he wanted.

There was total flexibility provided that person went up the ladder. We have not yet been able to evaluate it, but we think it may be an experiment that would be very worthy. This is the same concept as in the case of the mother.

Mr. **Ginsberg**. May I comment on that? It is a highly controversial issue.

I am opposed to coercing mothers to work. I think mothers on welfare have the same right to make decisions about themselves and their kids as others. It happens to be also that most kids would be better off if the mother did work. Aside from philosophy, there are two factors that argue against coercion. One is that there isn't a single community in the United States that can provide enough training, jobs, and day care for mothers to take care of those who volunteer.

It seems to me that the first thing you start is to take care of the group that wants to work, where coercion doesn't even come in. Only after you get through with them will you be faced with this other problem.

The second thing is that practically it doesn't work. With those rare cases of a mother who says, "No, I won't," what are you going to do? You can't send them to jail. You can't take the kids away and put them in an institution. We don't have enough institutions, and it costs 8 times as much per child in an institution as in their own home.

The other thing is to say we won't do any damage to the kids, we will take the mother's benefit away. It is not hard to figure if you take the mother's benefits away the net result is that you will spread the lesser amount among the total family and end up doing damage to the kids.

So in practical terms, there really is no basis for a coercive requirement on mothers.

Senator **Percy**. You do support, though, getting ready for a program by establishing day care centers, which many other industrialized countries have long had. Would you support getting operating expenses, which the present legislation does provide, getting construction funds for them, and maybe lifting certain restrictions the cities now have as to the type of facilities that may be used for day care?

NEED FOR DAY CARE CENTERS

Chicago just relaxed the facilities requirements. I think that was a wise move. We have much to learn here. I think we will count on you, commissioner, to help us as we try to develop sensible and responsible legislation.

Mr. GINSBERG. I will again and again talk about the need for day care.

Senator JAVITS. Isn't it a fact that you ought to include a quotient for day care in the industrial arrangement, in the contract arrangement, and isn't that the best way to proliferate day care?

Mayor LINDSAY. You are absolutely right.

Mr. GINSBERG. Industry, with the unions, the schools. This country, which prides itself on being forward in so many cases, has really been backward here.

Senator JAVITS. That is what we are trying in the Committee on Labor and Public Welfare.

Senator MCGOVERN. Senator Cook.

Senator COOK. Thank you, Mr. Chairman.

You can tell when you are a brandnew member. It takes a long time to get down here.

Mayor Flaherty, Mayor Lindsay, Mr. Ginsberg:

I would like to talk to the two mayors from my position as a former county executive because the first thing we did in Louisville and Jefferson County, when I went in as county executive in 1962, was to immediately assume the entire cost of the welfare program on a countywide basis and eliminated the total cost of that to the city.

The reason I bring this up is because I want to get to the one point that you have discussed but nobody on the committee has discussed. That is administration.

You have said that one of the worst things in the world is that these programs are totally unadministrable. What makes you think that a new Federal program, unless you get it exactly the way you want it, is going to be any better than what you are living with now?

I think I am really going to direct this to the commissioner. I think this is what will be facing him.

THREE LEVELS OF GOVERNMENT OPERATE ONE PROGRAM

Mr. GINSBERG. It is a fair question. I think there is one very direct answer, Senator. At the present time in New York, to use us as an illustration, as the mayor indicated, you have three levels of government trying to operate one program.

It is bad enough with one level of government but when you have two and three, it is the business of forms. Everybody says there is too much redtape. Put in three systems of redtape and when we get together and agree there ought to be fewer forms we are all in favor of eliminating the other guy's forms and usually end up with more.

So I would say that the most specific thing would be a program that involves three levels of government which cannot be administrated with efficiency.

That is one of the strongest arguments for a straight Federal program.

Senator Cook. When you talk about a double set of regulations between the State and Federal Government, obviously, you had to compound your own as a result of two in which various segments disagreed and you really wound up with a triple set of regulations.

Mr. Ginsberg. Exactly.

Senator Cook. Do you feel that the Congress of the United States should just go ahead as it usually does, and certainly, Mayor Lindsay, you are aware of this, and set forth a plan to correct all of these inequities and then set forth therein that whatever agencies of government are responsible may set such standards as they see fit to put this act into operation?

Do you think that is going to do any more good than all of the programs in the past have done? I think this is really what we are talking about.

The reason I ask you this is one of the reasons that I voted to extend this committee for another year, was that I felt one of our top priorities in this year should be to do an indepth study of no longer the problems of New York because you have expressed them, or the problems of Pittsburgh or the problems of Chicago, but an indepth study of the bureaucracy that has so fouled up all of these programs for so long.

I would hope that you would agree with me in this because I think this is where we are going to find the answer, ultimately, to the kind of program we really need.

Mayor Lindsay. I think one of the programs that for the most part has worked fairly well with the bureaucracy, but it is developed so that it is almost automatic, has been your social security system. That is not too bad. It is simple. It is one level of government. It is uniform around the country.

It has had enough experience to so computerize itself that it works. There really is no reason at this point why you can't move this whole program for poor people into such a situation. It can be done. I am not saying that it is the world's easiest thing or that it will be without bureaucracy, redtape and snarls.

I am not saying either it is going to be without a certain amount of error, people being enfolded in who should not be enfolded in, and people not being enfolded in who should be.

Those judgments will have to be made by human beings, not computers, in the last analysis.

But there is no reason why we can't take this whole dreadful problem of poor people in this affluent country and move them into such a system that has proven that it works. You can certainly begin with that whole chunk of welfare categories that include the infirm, aged, permanently crippled in one way or another and are never going to get out of poverty status.

That should be done automatically right away. I happen to believe that you can do it with whole other groups that are in poverty status, and I also happen to believe that you can do it with groups that have never been in the traditional sense thought of as being in poverty status because they are working.

But they are working poor. They are largely white. They are gradually becoming the most embittered body that we have in the country. Something has to be done. You cannot go on the way we are.

Mayor **FLAHERTY**. Senator, I think your question is, as Mr. Ginsberg said, a very fair one. I think perhaps there is no easy answer to it, but combined with the idea that there would be an even greater Federal bureaucracy created if these programs were transferred, if the welfare program became a Federal takeover, the only answer would be that it would have to be combined with welfare reform as we know it today in the States.

If you can combine the two into a new Federal bureaucracy you would be taking the right step and you would also be, if not eliminating, reducing the present 50 separate bureaucracies which have lack of uniform standards for each State.

You would have a great chance for uniformity throughout the Nation on a program that is strictly national in scope, and that is poverty. I think combined with it you have to have welfare reforms from what we know it as today.

Senator **COOK**. I might suggest as a former Congressman you are aware also that there are a lot of people in this country who feel there are inequities in the social security program; that is, the amount of mail we get in that regard.

There is one interesting thing you brought up on your subsidy employment program you have in New York. It came back to the business of nutrition as a very important part of this overall situation.

By the way, when we talk about the fact that everybody who receives subsidies really doesn't want to work, I think this is often said in the interest of political self-interest, and I have to limit it to that.

The thing that impresses me about this business of nutrition is that it would coordinate with a program like yours. I think if we could find an employer in the country who would want to give us a number of employees at the lower levels, if we could subsidize his income and nutritional program, and if we could show him over a period of time that we could decrease his cost of workmen's compensation, decrease his cost of unemployment compensation, I think we could decrease his lost man-hours—and I think now he sets up on his liability side of the ledger at the beginning of the year so many hundreds or so many thousands of lost man-hours as a result of poor health or whatever the question may be—I think if we have to appeal to the selfish side I think we can show him that in the long run a healthy nation is going to save him a great deal of money.

I think he is now spending it on programs where he doesn't realize that he can cut these costs and not only that but increase production at the same time.

Mr. **GINSBERG**. I would agree with that.

Senator **COOK**. I think this has been one of the things.

On an employment program such as you have, if we had a parallel program to that which worked on the basis of nutrition, I think we could well come up with the same results that I think you are going to come up with in your employment program.

When we look at this Nation, and I am not out to make a speech, when we look at this Nation and understand that of all the children born today, 5 percent of all those children are mentally retarded, and the biggest percentage of that 5 percent obviously in the very low-income levels, and 10 years from now the percentage of mental retardation in that group will have increased to 12 percent, we are a pretty poor excuse for a viable nation that really wants to look after its own.

Again, I think we come back to the problem of the administration. I think the biggest brick wall we face is right here at this level. I just don't feel it is at the State level and I don't feel it is at the local level.

I have been at the local level and I have worked at the State level. We converted our food program to the stamp program. I think we should have been able to have had both.

We, as a county, saw to it that we could keep both at our own cost. I felt that all of our problems were with the Federal Government and not with the State.

Mayor Lindsay, in your remarks you say that annually the income maintenance should be reviewed. If this be true and if this be a necessity, and I feel that it is, then for us to pass a bill that has a figure in it of $1,600 will be the utter ruination of the entire program to begin with.

Don't you believe so?

Mayor **Lindsay**. There is a way to cover that and that is to amend it so that there be a Federal percentage share in a supplement. We recommended 50 percent as what we regarded as a politically practical and viable target, 50 percent of supplementary benefits that are paid to be absorbed by the Federal Government.

The House of Representatives is talking about one-third. That is a step, a big step.

Senator **Cook**. The reason I am interested in this is because the Commissioner said that when medicaid began to work and actually functioned the way it was intended to function, the cost which everybody should have realized would be there anyway frightened everybody off and they started to pull back.

I think this is what we are going to find in the income maintenance program. After all, everybody has been politically saying for years that there ought to be an escalation clause in the social security program.

If this be true, then that escalation clause should be in this program, too.

Mayor **Lindsay**. We are particularly conscious of this today because of this killing inflation that we are all operating under.

Senator **Cook**. Let me ask you in this program you have outlined, what do you anticipate this will cost? Do you have any cost factors at all on what you anticipate this would cost the Federal Government?

Mayor **Lindsay**. Your figures will vary depending on what levels you are talking about. I think in the administration bill as submitted to the Congress, the Bureau of the Budget is talking somewhere between $4 billion to $4.5 billion. Your 30-percent figure for the supplementals over and above $1,600 would not really affect that too much. We calculate somewhere in the area of $400 million.

Mr. **Ginsberg**. A little less. I think they figure about $325 million or $350 million.

Mayor **Lindsay**. As a practical matter, what the other body is talking about here, the Ways and Means Committee, very seriously, which we think is a step forward, is a very manageable thing.

Again, take a look at New York City. Our expense budget figure on welfare is $1.5 billion for one city. Two-thirds of that is reimbursable from the State and Federal Governments.

But we are talking about that for one city budget.

Just before you came in we were talking about a hospital system that is run for poor people. The hospitals alone are reaching a half billion dollars for one city. That is not reimbursable stuff.

So these figures are not unmanageable figures for this big country, for the amount of income that is generated in this country.

Senator COOK. In conclusion, what are you saying is that this comes down to a matter of national priorities and from a standpoint of national priorities where would you put this problem?

Mayor LINDSAY. I would put it way up on top because it has to do with people and their well being, and their ability to survive.

Senator COOK. Thank you.

Thank you, Mr. Chairman.

Senator MCGOVERN. Senator Dole.

Senator DOLE. I apologize for being late.

I read your excellent statement, Mayor Lindsay.

I didn't have a copy of your statement, Mayor Flaherty.

Mayor FLAHERTY. I didn't have a prepared statement.

Senator DOLE. I think Mayor Lindsay recognizes that we are making some progress in welfare reform. I was heartened yesterday to note that 125 members of the Democratic study group in the House endorsed the concept. That would indicate to me that it will probably pass the House and then come to the Senate for extensive hearings.

Apparently there is a recognition among all of us, regardless of ideology, that the present system is a failure and that changes should be made. I am just pleased that you both and Dr. Ginsberg have taken the time, to be here this morning.

We have another outstanding witness who has been waiting two days and we have to vacate the room at noon, so I will forego any questions.

Thank you.

Senator MCGOVERN. Thank you, Senator Dole.

Thank you, Mayor Lindsay and Mayor Flaherty, and Mr. Ginsberg. It has been most helpful to have you here today.

Prof. Alvin Schorr is a professor of social policy at Brandeis University and a former official at the Department of Health, Education, and Welfare. He is recognized as one of the country's leading authorities in the field that the committee is now investigating.

STATEMENT OF ALVIN L. SCHORR, PROFESSOR OF SOCIAL POLICY, BRANDEIS UNIVERSITY, WALTHAM, MASS.

Senator MCGOVERN. Professor Schorr, I want to personally apologize for myself and on behalf of the committee tha. we were unable to put you on yesterday and that our time is somewhat limited today.

Knowing your familiarity with this overall field and how succinct you can be, I think we can manage the situation. If you can zero in on the points that you think are most important for this committee to consider and then respond to any questions we might have, we would deeply appreciate it.

I have read your statement and I think it is a superb discussion of the problem. I know other members of our committee have read it. It will be made a part of the record.

Mr. SCHORR. Thank you, Senator McGovern.

And, Senator Dole, thank you for limiting your remarks.

You have my statement.

(The prepared statement of Alvin L. Schorr follows:)

PREPARED STATEMENT OF ALVIN L. SCHORR, PROFESSOR OF SOCIAL POLICY, BRANDEIS UNIVERSITY, WALTHAM, MASSACHUSETTS

Mr. Chairman, and Gentlemen, my name is Alvin L. Schorr. I am Professor of Social Policy at Brandeis University. Before assuming that position, I was for ten years a government official, involved in one way and another with public assistance, social security, and anti-poverty activities. I was probably the first official publicly to criticize the AFDC program for its effects on incentive to work and other problems.[1] I suppose I regard myself as first of all an expert on income maintenance.

I come at the problem of hunger in the United States, therefore, as a problem of the failure of its complex system of maintaining income. The air is full of observations about the need to reform this system and, if I am to be brief, it may be most useful to limit myself to two matters. The first is a near-term issue and the second goes to broader improvement of the overall system.

As to the near term, I will comment on the meaning of federal administration of the President's Family Assistance Program or whatever related program may emerge from Congressional deliberation. The President's proposal would establish a federal program to administer the $1,600 level of assistance for a family of four with no other income and its equivalent for other families. At the earliest date at which the program might become effective, all but four or five states will be operating at higher levels of assistance. Most states, therefore, will be required to maintain programs of supplemental assistance. The prospect that millions of people will receive assistance simultaneously from federal and supplemental programs and the vision of the interrelationships between them charm no one. Therefore, H.R. 14173 provides that federal and state governments may agree that one or the other assume administrative responsibility for *both* programs.

It is more likely that states would administer the federal program than the other way around. That is the way the precedents flow. The states already have staff and organization to handle the program. And it is hard to imagine states letting federal officials determine eligibility for supplemental payments, while they simply pay the bill.

Now, I want to observe that permitting or encouraging state administration of this new program would toss away the best opportunity we have had for public assistance reform in almost a decade. I assume that the objectives that this Committee has in mind—and I share them—are a uniformly administered level of minimum assistance, without exclusions, across the country. With States operating programs, we would have to rely on the capacity of the Federal Government to secure uniform operation and minimum standards by detailed regulation of state and local personnel.

That is exactly the system we have had in public assistance. Any objective assessment—of the last ten years, at any rate—would have to conclude that it is not workable. I am not saying that the Federal Government cannot secure conformity when a state openly defies it, as states occasionally do, or when a state dramatizes non-conformity by ending assistance to 22,000 children at once, as Louisiana did some years ago. Rather, I am pointing at what happens in Welfare Departments from day to day, regardless of what a state says in written policies that it will do. Interpretation of those policies is highly sensitive to the attitudes of state and local officials and they, in turn, to the attitudes that surround them. Naturally. The Federal Government is effective in regulating public assistance, if at all, with written policies. It deals with day to day practice through an arms-length relationship, and the record shows extensive violations in that day to day practice.

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[1] "Problems in the ADC Program," *Social Work*, Vol. V. No. 2, April 1960.

I offer you Virginia as an example. The last federal administrative review in Virginia, conducted in 1960, reported: "Practice in the application process was found to conflict extensively with the expressed purposes of state policy and federal requirements and to vary widely among local units." [2] People were discouraged from applying for assistance; applications were taken but not investigated; otherwise acceptable policies were administered in a manner that would deter applicants; applicants were rejected without evidence to support the reasons for rejection. Quite the same pattern of violations exists in Virginia now and no wonder, for in the past decade neither the state nor the Federal Government has acted firmly to alter it.

There is no reason to single out Virginia. Similar findings were made in the last administrative review in New Jersey in 1960.[3] The State Advisory Committee to the U.S. Commission on Civil Rights reported a similar situation in Mississippi in 1969.[4] In 1965, a former federal welfare official, Dr. Winifred Bell, devoted a book to one of the devices that states used to introduce a considerable measure of discretion into the giving of assistance—the so-called suitable home policies. The publicly avowed purpose of these policies was to improve the home life of children in AFDC families. Dr. Bell ranged extensively across the states and concluded that the policy's primary functions were "to restrict the growth of the caseload and . . . to inhibit ADC coverage of Negro and illegitimate children . . ." [5] Eventually, this means of discrimination was closed to states, but one cannot review Dr. Bell's account without realizing that states can devise these policies a great deal more rapidly than the Federal Government gathers the evidence or determination to close them off. I do not doubt, for example, that provisions now in the law concerning who is required to accept work are used in the same way.

You will misunderstand my point if you take me to be focussing on poorly written regulations or the incompetence of one official or another. Rather, the differences between states—between per capita income of $2,000 and $4,000, between the size and situation of minority groups, in the significance of farm labor, and so on—lead to differences in conviction about whom to assist and at which level of payment. Under state administration, failing a monstrous supervisory effort by the Federal Government, these differences are inevitably reflected in day to day practice. This outlines only part of the problem, for 21 states merely supervise counties that in turn administer the welfare program. The difficulty in translating federal standards into practice is squared. When, in the end, the Federal Government is aware of violations, its only real sanction—in present law and in the proposals that are being considered—is to withdraw aid, thus penalizing the very people it set out to help. It is a sanction not often used, as everyone concerned understands.

State operation of federal welfare programs was devised in a time when no one thought of a federal minimum. Supporting people at the levels and in the way thought reasonable in each state seemed a large enough objective. Now we are talking about quite a different objective. But if we use the old machine or a new machine much like it, we will have the same consequences. We will have people excluded from the program whom Congress did not mean to exclude. We will have the federal minimum undermined by technicians who impute income to people that they do not have, misinterpret regulations, or make mistakes in arithmetic. And we will have discrimination between one type of applicant and another, in the ways that seem desirable in each particular state.

I therefore, urge that the welfare program now being considered in Congress be, in fact, federally operated and in no way dependent on federal standards or contracts intended to govern state operations. It may be desirable that the federal agency turn to state programs in occasional, special situations; these should be carefully limited and defined in law. It has been suggested that H.R. 14173 be amended to provide a monetary incentive to states that seek federal administration for their supplementary programs. The Federal Government would assume all or most of the cost of administering these state programs. Although the incentive available in this way may prove too small, it is at least worth trying.

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[2] U.S. Department of Health, Education, and Welfare, Region III, "Report of Findings in the Administrative Review of the Applications Process and of Denials in the Virginia Department of Welfare and Institutions," October 1959–March 1960, mimeographed.

[3] U.S. Department of Health, Education, and Welfare, Bureau of Public Assistance, "Study of the ADC Application Process in Six Selected Counties in New Jersey," August 1960.

[4] "Welfare in Mississippi," A Report of the Mississippi State Advisory Committee to the U.S. Commission on Civil Rights, February 1969.

[5] Winifred Bell, *Aid to Dependent Children*, Columbia University Press, 1965.

I recognize that this course may leave us in an eminently undesirable situation, operating two parallel programs for one purpose. The solution to this problem is, of course, a federal program at a level sufficiently high to minimize state programs. I suppose we are unlikely to do this at one step, but we may hope to approach that goal in time. If we now set a pattern for state operation of the federal program, however, subsequent improvements will go that road too. We shall have compromised public assistance reform for the next decade, however much money we find ourselves willing to spend.

Let me turn now from matters immediately before Congress and ask what system of income maintenance we want to have in the long run. We have, for some years, pursued a course of identifying major risks to income—old age, disability, widowhood, being orphaned, unemployment—and devising a program that would guard against each risk. (Public assistance was to be a temporary device for people whom the basic programs could not protect.) The result is our extensive system of social security. That system was devised to maintain income and to *prevent* poverty. It is not an antipoverty system in the sense that public assistance or a negative income tax is, but obviously it has an anti-poverty effect. Over half of OASDHI benefits go to people who would otherwise have been poor.[6] In 1965, OASDHI alone kept 3.5 million households out of poverty.[7]

Some are disposed these days to argue that social security ought now to be divided into two parts. One would be like private insurance, paying benefits proportional to the taxes people have paid, which is to say proportional to the income they have had. If from time to time the Government added a correction for inflation and a share of increased national income, middle class and wealthy people would have a very good thing indeed. The other part of social security would be a program carefully limited to poor people and providing benefits as decent as possible within the limits of our anxiety about whether they would continue to work, whether they might have illegitimate children, and so forth. This two-part view of social security lies behind most proposals for radically simplified public assistance at high levels of payment, whether they are called negative income tax, income supplement, or whatever. The view is explicit in the recently released report of the Heineman Commission.

From the point of view of its proponents, the chief advantage of a negative income tax is its efficiency—that is, the high proportion of its costs that would go to poor people. They overlook two qualifications of this advantage. First, a negative income tax is only efficient at very low levels of payment. Because of the need to incorporate an incentive scale, efficiency declines rapidly as the payment level approaches any reasonable sum. For example, the Heineman Commission's income supplement would, if it assured income at the poverty level, be 36 percent efficient.[8] That is, it would be markedly less efficient than existing OASDHI.

Second, such efficiency as may be gained at lower levels is achieved, in effect by withdrawing from poor people the advantage they now enjoy in the calculation of OASDHI and other social insurance benefits. They would gain efficiency in one program by yielding their share in others—a doubtful favor. That some people intend a two-part and, no doubt, double-standard system is possibly not the important problem. The important problem is that, with attention fixed on schemes to wipe out poverty in the most efficient manner possible, even those who are concerned about hunger and poor people may withdraw attention from the social insurances and other income transfer programs that are vitally important to the poor. Such programs now provide more than half the income of poor people. If neglected, these programs will steadily be skewed to give the poor a smaller share—a development that is already evident.[9]

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[6] Robert J. Lampman, "Transfer Approaches to Distribution Policy," Paper presented at the meetings of the American Economic Association, New York, December 30, 1969, Tables 1 & 7.

[7] Ida C. Merriam, "Welfare and Its Measurement," in Eleanor Sheldon and Wilbert E. Moore, eds. *Indicators of Social Change*, Russell Sage Foundation, New York, 1968.

[8] *Poverty Amid Plenty: The American Paradox*, Report of the President's Commission on Income Maintenance Programs, November 12, 1969, GPO, Table 5–5.

[9] Robert J. Lampman, *op. cit.*

Obviously, there are other reasons for continuing and extending the social security approach, having to do with its greater public acceptability, the likelihood that its benefit level will more rapidly reflect increased national income, and the importance of developing unifying mechanisms rather than programs that isolate poor people and set their interests against those of others. So I urge you, whether or not you invest attention and energy in the grander proposals for an immaculate welfare system, to be attentive to the vital interest of poor people in further development of social security and other income transfer programs.

In the few minutes more that I can reasonably take, I want to argue that the next departure in the development of social security should be a program of Children's Allowances. I define Children's Allowances as a universal payment to families on behalf of children, without regard to income. The payment would replace current exemptions for children in the income tax and would itself be taxable, so it would benefit poor families more than others.

I said that the social security approach has been to identify major risks to income and devise programs that would guard against them. The presence of children in a family is, far and away, the most substantial risk for which we have devised no basic program. When other industrial countries initiated programs of Children's Allowances thirty years ago or more, we were put off by the fact that some were seeking to raise the birth rate and others to keep wages down. Children's Allowances have proved to be helpful for neither purpose; trade unions in Europe and Canada are now the strongest supporters of the program. These countries now continually improve their Children's Allowances for precisely the reasons that it would be a useful part of our own income maintenance system.

The program in the United States would assist in meeting these overlapping problems:

First, it would improve the quality of care of all children—for example:

Young families in the United States need help. The average young woman is married at 20 and will have completed her family by the time she is 27 or 28. These families have no savings. With infants at home, it is diffiuclt for the mother to work. However well they will do later, in this vital period half the families have income under $7,000. Virtually all parents remember this period nostaligcally perhaps, but as a time of severe financial hardship.

Large families, with three or four children or more, need help. Larger families in the United States have less total income than smaller families, on the average. Families with five children have less than families with four; families with four children less than families with three; and so on. Studies show that children in large families, *even those with average incomes*, do less well than children in smaller families—in height, in weight, and in school achievement.

Children in homes without fathers need help; two out of three of these children are poor.

In short, virtually all children suffer at one time or another from the fact that family income is not fitted to their need—because the parents are young, or poor, or separated, or the families are large, or for whatever reason. That poor fit is unfavorably reflected in the nurture many of our children receive.

Second, the wage system in the United States (or any industrial country) is poorly adapted to family need. Failure to work out a way to deal with this problem is the source of much of our difficulty in assuring adequate income.

For example, of children who are poor, a third are in the household of a person who works full-time all year. In these families, 90 percent of the fathers and over half the women had a job at least part of the year. The problem is that a man who works at the minimum wage supports a wife and two children at the poverty level—no more. Of course, the minimum wage should be raised, but raised too fast or too far jobs would be wiped out. The solution is to raise the minimum wage steadily, as we can manage it without losing too many jobs, and meet the need of families with more than two children through Children's Allowances. Poor families offer the most dramatic example, of course, but you understand that three or four children add financial strain in families with incomes even of $10,000 or $12,000.

Third, Children's Allowances would of course be directed at wiping out poverty in the United States. If poverty were wiped out for children—that is, for the families in which they live—and if OASDHI wiped out poverty among the aged, fewer than 4 million people would remain poor.

Another way of putting this is to observe that the problem of the minimum wage and family size, taken together, is the largest remaining cause of poverty.

It is precisely the problem of the "working poor," whom the President has proposed adding to his new welfare program. A children's allowance of substantial size (say, $50 a month) would deal with this problem without getting involved in establishing how much money applicants were earning, why they were not working, and so forth.

(I implied above that Children's Allowances would simplify the problem of designing a public assistance program. As the large number of people who work would have their need met by a Children's Allowance, a welfare program would be dealing mainly with people who cannot work and would not have to be elaborately designed to maintain incentive.)

The fourth and final function of a Children's Allowance is equity. We operate a vast system of income transfers in the United States, of which OASDHI is the largest but only one element. The net effect of that system is to take money *from* families with children and give it *to* childless families. Considering only families with children, we take money *from* large families and give it *to* small families. Plainly, the operation of this system does not reflect need or equity. It reflects our failure to develop a mechanism that would transfer money to families with children or, at least, balance the operation of other mechanisms that would transfer money away from them.

Those are the objectives of Children's Allowances. I will not try to deal with various questions that come to mind but must, in the present demographic situation, say a little about the possible effect on the birth rate.

Five years ago, with considerable foresight, the Social Security Administration called together a distinguished group of demographers to discuss the possible effects of a substantial new income maintenance program. They reviewed evidence from other countires and over time; they spoke of the overall birth rate and the birth rate of poor people in particular; they reviewed the experience of other countries with Children's Allowances and our own experience with AFDC. It is usually hard to drive social scientists to a firm conclusion, but this is how I summed up at the time:

> The birth rate is compounded of income and one's conception of income, of education and ignorance, of conviction and faith, of geography and technology, of love and covetousness, of accident and design. It does not seem that the overall birth rate would be markedly affected for the short run or affected at all for the long run.[10]

As for the birth rate of poor people, this was the conclusion:

> An income maintenance program might prompt some number of low income families to have additional children; people respond inscrutably to their personal perception of events. On the other hand, an income maintenance program might prompt some poor families to have fewer children. On the whole, the tendency to increase family size, if it occurred, would be a short-range tendency. The tendency to limit family size, arising from changes in attitude, education, and family patterns, would be a long-range tendency. In retrospect, it would prove impossible to find any alteration in the relationship . . . that could be attributed to a new income maintenance program.[10]

Let me illustrate the evidence on which such conclusions are based. Attached to the copy of my statement is a chart of birth rates in Canada and the United States.[11] You will notice that trends in the birth rates of the two countries corresponded very closely for forty years. Canada introduced Children's Allowances in 1945; neither the trend in Canadian birth nor its parallel relationship to the United States trend reflects the new program in the slighest way. Indeed, the recent trends has produced a lower birth rate in Canada than in the United States for the first time. The Canadian evidence is, in fact, perverse. If Allowances are to produce larger families, the effect should be clearest in Catholic Quebec. Yet the increase in births in the decade after Children's Allowances were introduced was smaller in Quebec than in any other province.

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[10] Alvin L. Schorr, "Income Maintenance and the Birth Rate," *Social Security Bulletin*, December 1965, Vol. 28, No. 12.

[11] See Chart on p. 202

Children's Allowances in Canada are comparatively small. France pays very substantial Children's Allowances and may offer a better test. The trend in the French birth rate has also been quite similar to ours. And, as in Canada, close examination of the French trend is damaging to the view that Allowances have affected it. For example, one might expect the Allowances to influence rural or other poor families. On the contrary, it is urban and well-to-do families that are responsible for postwar increases in the birth rate. And it is an increase in one-, two-, and three-child families that the increase reflects, while the proportion of large families diminished.

During the course of the demographers' meeting, Professor Ronald Freedman ovserved that one must believe that poor people are now limiting the number of their children to believe that additional income would lead them to have more children. But on the contrary, it is the well-to-do who are effectively determining the size of their families. The evidence available in public assistance supports Freedman's point. Enactment of the AFDC program in the 1930s was followed by declining births among poor women and rising births among women who were better off. Among current AFDC recipients, mothers with more children owe more money than mothers with fewer children. States with higher payment levels in AFDC have smaller size recipient families, on the average, than states with lower levels.

So the evidence goes. I hope you do not conclude that Children's Allowances will lead directly and rapidly to a *lower* birth rate. I am only illustrating that a small payment is an insignificant factor in a pattern in which education, religion, technology, and style are far more important. The payments would, in the end, have nothing to do with the trend in birth rate.

In closing, I remind you of the four objectives of Children's Allowances— improving the care of all children, adjusting for the relation of moderate wages to family size, dealing with poverty among families with children, and introducing equity into our income transfer system. Obviously these objectives overlap. Achieving them would represent a national investment to improve the quality of care of our children. Until we have such an investment, we shall not work out the dilemmas in our income maintenance system. In this most child-centered nation, until we have such an investment, we shall not be doing well by our children.

APPENDIX I.—GROSS REPRODUCTION RATE,[a] UNITED STATES AND CANADA, 1926-1968

Year	U.S	Canada	Year	U.S.	Canada	Year	U.S.	Canada
1926	1.370	1.628	1941	1.168	1.377	1955	1.745	1.863
1927	1.365	1.609	1942	1.277	1.434	1956	1.798	1.874
1928	1.305	1.604	1943	1.323	1.478	1957	1.837	1.907
1929	1.245	1.565	1944	1.249	1.457	1958	1.807	1.886
1930	1.245	1.599	1945	1.212	1.462	1959	1.812	1.915
1931	1.181	1.555	1946	1.430	1.640	1960	1.783	1.893
1932	1.140	1.499	1947	1.593	1.753	1961	1.770	1.868
1933	1.074	1.394	1948	1.514	1.676	1962	1.695	1.830
1934	1.108	1.368	1949	1.515	1.678	1963	1.623	1.788
1935	1.091	1.346	1950	1.505	1.678	1964	1.564	1.702
1936	1.071	1.310	1951	1.593	1.701	1965	1.428	1.529
1937	1.085	1.286	1952	1.637	1.763	1966	1.336	1.369
1938	1.113	1.314	1953	1.668	1.812	1967	1.255	1.261
1939	1.088	1.294	1954	1.727	1.861	1968	1.206	1.184
1940	1.121	1.348						

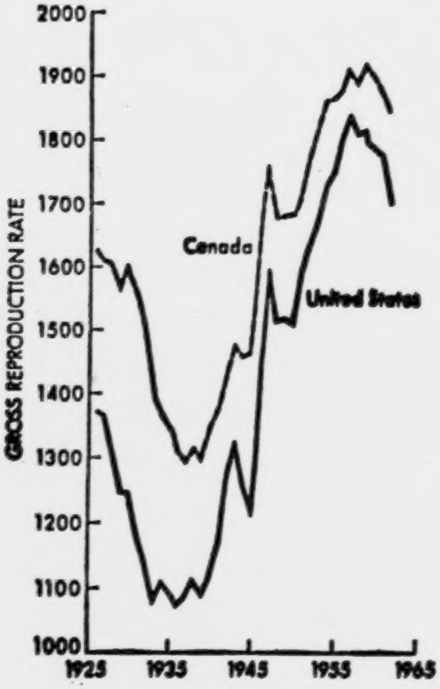
[a] The gross reproduction rate is the average number of daughters a hypothetical cohort of women starting life together would bear if they all survived from birth to the end of the child-bearing period and if they experienced a given set of age-specific fertility rates. Usually this measure is computed from fertility rates in a single calendar year. It is often interpreted as showing the extent to which the generation of daughters would replace the generation of mothers if fertility remained constant at a given level and if there were no deaths.

Source: U.S. National Center for Health Statistics.

Note: The figures for the years 1960-1968 were obtained from John Pattison, Office of Vital Statistics.

UNITED STATES AND CANADA
GROSS REPRODUCTION RATES

1926-1962



Source: U.S. National Center for Health Statistics

Mr. Schorr. I will address the issues arising out of the committee's discussion because I can now sharpen what I say to the committee's concerns.

In the first place, I want to make one point about it, or about whatever program Congress makes of the family assistance program.

In the nature of the levels at which it is proposed to enact this program—that is, $1,600, or if amended, as I understand it may be, to the $2,400 level for a family of four with no other income—there will be a great number of States required to run supplementary programs alongside the Federal program. At the $2,400 level about half the States representing, I should think, perhaps three-quarters of the present clientele of the AFDC program would have supplementary programs.

Because the Federal and the State programs will then be operating side by side, the President's bill permits States to operate the program for the Federal Government and, alternatively, permits the Federal Government to operate the State's program. Either arrangement must be by agreement or contract.

On the whole, I think it not likely that States will contract with the Federal Government. I think the arrangement is likely to go in the opposite direction; that is, States running the new program under standards set by the Federal Government.

That is the system we have and have had; as you have just heard and know very well, that system has not worked.

Federal standards have been widely violated. In my written statement you will find citations of HEW findings to that effect.

There are more recent findings to that effect. Regulations and standards are widely violated. When it comes right down to it, the Federal Government has no genuine sanction that it is willing to use more than very rarely, indeed.

So Congress in dealing with this program is likely to face the choice of putting the program back into the hands of States, or, on the other hand, running two programs side by side for a period of time.

PUBLIC ASSISTANCE REFORM A MUST

As objectionable as that may be, and it is objectionable, and I urge you, if it is necessary, to run two programs side by side. However, much money is invested in this program right now by the Federal Government; in the end a great deal of money will be invested by the Federal Government.

If that money goes back into State-operated programs, we will have lost the best chance for public assistance reform we have had in a decade.

I will leave that point with that.

Senator DOLE. Could I interrupt there briefly?

Mr. SCHORR. Yes, sir.

Senator DOLE. I think you have indicated that probably it would be a program where the States would finally be in control as they are now. It hasn't worked.

Are you saying that we should revise the program, whatever it may be, whether it is the McGovern program, the Nixon program, the Harris program, or adopt a later program, which you mention later in your statement which I have read, the children's allowances?

Do you see any merit at all in the President's program?

Mr. SCHORR. I am addressing the President's program and I am saying that if enacted at the $1,600 or $2,400 level it should be revised so that it does not permit State operation.

Senator DOLE. It doesn't permit them to reduce their expenditures below 90 percent of the present level, I believe. I don't have a copy of the bill before me.

Mr. **Schorr.** It is not that provision I am addressing. I am addressing a provision that is very brief and barely explained, that simply says that the Federal Government may contract with States to have one or the other operate both programs.

Senator **Dole.** I certainly agree with that. If there is going to be a program that permits the States to do less than they are doing now, and some are not doing very well, as you know, then it would be more unfair than it is now. There must be some incentive for the States to do more.

Mr. **Schorr.** There are two separate points. One has to do with the level of assistance. I am not addressing that. I am addressing the question of who administers the program, and saying that one thing we ought to get out of this new program is a federally administered program in fact, not a Federal operation and Federal standards contracted with the States or administered by the States.

Senator **McGovern.** If the Senator would yield, aren't you speaking of the concern that Senator Cook expressed here a while ago, when he was drawing out Mayor Lindsay in a discussion of the various levels of administrative responsibility as one of the problems with the present program? Aren't you saying that when you have some responsibility in the Federal Government, some in the States, and some in the local government, that this creates the kind of a bureaucratic maze that not only is very expensive but also very inefficient?

Isn't this the problem you are addressing now?

Mr. **Schorr.** I think so.

Senator **McGovern.** It is not really the level of benefits so much as who is going to run the program.

Mr. **Schorr.** That is exactly what I am addressing. I am saying that although we can't get the full Federal administration in one step, at the levels being proposed, we ought to bear in mind that that is where we are going and hang onto as much Federal administration as we can.

Senator **Cook.** I think, Professor Schorr, to enlighten this conversation a little bit, when I first started on this committee and we were discussing food programs, one of the first things that I think was an absolute consensus on the committee was that uniform standards were absolutely necessary, that we found ourselves on a contractual basis with 50 States, all of which were different.

Then we found that every county in a State could set its own rules and regulations on who could and who couldn't. We found this one of the most fantastic and amazing things we had ever seen.

Although they denied it, we found, for instance, in regulations in one county in Indiana that you couldn't get surplus food if you had a dog. Apparently you had to roast the dog first.

We found literally hundreds of counties in Texas, for instance, where the residency requirements were all different. I think this is the point you are addressing.

We must attack this problem once and hang onto it. This is one of the areas where there should be no room for compromise, otherwise, the administration would be so fragmented that the end result will be very disastrous.

That is what I interpret from what you are saying.

Mr. SCHORR. Yes, sir. Just to press the point, I am saying that although there have been written regulations and uniform standards of a variety of kinds that the States were obliged to use, that they have, in many respects, not used them.

Therefore, with the opportunity to frame a new program we now have, I would not rely on standards, State plans, or written regulations. I would stay with a federally administered program in the way social security is federally administered.

Senator COOK. For instance, throughout the many States where we found that food programs were automatically cut off as long as the spring crop was ready to be harvested on the theory that the local government said there was plenty of work for everybody and everybody ought to go out and work.

I have a feeling that if you fragment this thing there is no reason why a State or local agency would't feel that way whether you were talking about food or you were talking about money.

Mr. SCHORR. Yes, sir.

To turn to a second point, I think it was Senator Javits who asked about the question of priorities, that is, would one put a welfare program of this sort first or a children's allowance program first.

I would like to recast the conversation by saying we have operated for 30 years or more in the United States on a theory of protecting against risks, protecting against poverty. We devise programs against the financial risk in retirement, against disability and so forth.

These are not strictly speaking antipoverty programs in the way that public assistance is. But they, nevertheless, have the same effect, or a substantial antipoverty effect, because, say, 50 percent of what is spent on social security now goes to people who would otherwise be poor.

That is a very substantial antipoverty effect. Some of the proposals that are being made have in the background, in the philosophy that lies under them, a view that we now ought to recast social security into two parts.

You will find this specifically in the report of the Heineman Commission, for example. One part would be for people who are able to pay their way. They would get out of social security an amount equivalent to what they had paid in. The Government might protect them against inflation and so forth, of course.

If we did that, that would be a very good thing for people who were well off, as it would turn out. Along with that we would have a large new program, like a negative income tax, or an income supplement, an extensive liberalization of the President's family assistance program, and that would be for people who were poor.

So we would have two sets of programs in the United States, social security for the rich or the nonpoor, and FAP or income supplements, whatever we want to call it, for the poor.

That appeals to many people because it is efficient. I think Senator Javits raised this question. It specifies a sum of money and that sum of money goes almost entirely to people who are poor.

However, that way of structuring programs has a number of difficulties. One is that, as it turns out, it is efficient only at very low levels of payment. For example, in the income supplement proposed by the Heineman commission of $3,600, one-third of that money would go to people who were poor, two-thirds would go to people who were not poor.

It has this effect because at any reasonable level of assistance, an incentive scale to keep people working shifts money to people above the poverty line. In other ways, and I won't dwell on them now, the effect of structuring a program like that is to create a large program for poor people at very low levels of assistance.

Senator Dole, you asked yesterday, whether one would not go for a foot in the door. I am saying that there are feet in the door that open the door and there are feet in the door that don't. The difference between them is that if a program is structured so the level of assistance is likely to remain low indefinitely, then that is not the foot in the door that I think you intended.

There is that problem in a large welfare program meant to deal with all poor people.

I won't dwell further on that.

Other witnesses have spoken about stigma and the need to unify the country.

Senator **McGovern**. In that connection, isn't it possible that as the committee investigates this problem what we may see is a series of suggestions that aren't necessarily in conflict with each other, in which a package proposal might result?

For example, I think politically one would have to say that the most likely vehicle that the Congress will work on in 1970 in approaching welfare reform is the administration proposal.

That is apparently the course that is being taken in the House. The likelihood is that something similar would happen over here.

But would there be any conflict in applying the President's concept of direct family assistance to the poor with a children's allowance that reaches all children without regard to whether they are poor or rich, and perhaps another feature such as the one Mayor Lindsay described, guaranteed public service employment for those who can't find jobs in the public sector?

Can you envision a situation in which some features of the President's plan could be combined with the children's allowance and the guaranteed job, and the kind of improvements in the Social Security structure that Mayor Lindsay referred to?

Those concepts aren't necessarily in conflict; are they? Could they not be combined in a series of amendments to, let us say, the administration proposal that would provide the kind of a comprehensive program that you and others have advocated?

Mr. **Schorr**. I think if one goes this road, the Social Security road, of devising protections against risks, you then need a program that may be called residual.

We can deal with one risk and another; others are omitted. We need something for them. We then need a program much like family assistance programs.

I would make the case if we had more time that a children's allowance would make the design of the family assistance program more simple. It would simplify the design.

At any rate, these are not in conflict. They do fit together, and that pluralistic pattern is the road we have traveled since 1935.

Senator McGOVERN. Let us assume that the Congress adopts roughly what the President has recommended, that that becomes the law of the land.

How many people do you think would be participating in that program when it is fully implemented?

Mr. SCHORR. The President has said 20 million, on the order of 20 million. That is a lot of people and I think it would give us trouble. I think we would find a great many people getting very small sums of money but needing more and we would wonder what to do with them.

I think we would look for Social Security type devices to make the program a smaller program. This would be an enormous program, 10 percent of the people of America.

So I am saying that regardless of how one feels about the family assistance program or other programs that are proposed, I hope the Senate will keep its eye on all the Social Security programs. Poor people today get half their income from what the economists call transfer programs. That share has been declining in the past few years. It is tremendously important to them that Congress attend to the importance of those programs regardless of what it does about public assistance.

I want to approach the children's allowance from a somewhat different point of view. Quite naturally, it has been approached in this committee from the point of view of what poor people need.

I want to say to you that it is the significant measure absent in our system of social security protections against risk, and that one needs it not only for poor people; one needs it as a program to improve the quality of care of all children in the United States.

Senator DOLE. It would not be as sophisticated as the ADC program?

Mr. SCHORR. No, sir.

Senator DOLE. ADC is one area where we have some very real problems now, but it is on a per child basis. Children's allowance has no regard to income. Income is not a prerequisite to qualification for benefits at certain low levels, is that correct?

Mr. SCHORR. That is right. Every family would receive a payment for every child in the United States regardless of income.

Senator DOLE. The first argument everyone raises, of course is that this means that they will have large families. You have answered that in your statement.

Mr. SCHORR. Yes I can add to that. The Canadian experience has been introduced as evidence that birth rate is not affected by a childrens allowance. Since yesterday, I was able to get figures for the last 6 years in Canada. The gross reproduction rate in Canada is now for the first time lower than the United States.

So the Canadian birth rate for the first time in 40 years is lower than the birth rate of the United States.

Shall I go on to children's allowance?

Senator McGOVERN. Why don't you give us your analysis or at least a summary of that.

Mr. SCHORR. I want to say that all children, virtually all children, in the United States, would benefit from a children's allowance.

Young families need assistance. A woman gets married now for the first time at 20, on the average, and completes her family by the time she is 27 or 28. She will then have had three or four children. Her husband in that period will earn on the average less than $7,000 a year. That is less than the BLS moderate income standard. They have no savings. They are buying new furniture, bassinets and so forth.

Almost all families, however wealthy they are to become, remember that period of family life as a very difficult time.

So young families, regardless of income, need help in the United States.

Large families need help. Half of the families with five or more children in the United States are poor.

Senator McGovern. It occurred to me that it is probably precisely at that time when a young family is struggling to pay for the cost of their own children that they are probably most resentful of what they read about poverty programs and welfare programs that they are asked to finance for other people. Is that true?

At various times you have referred, not only here today but in your writings, to the problem of isolating the poor from those who pay.

This is responsible for a lot of resentment toward our whole range of Government programs. Isn't all of that aggravated by precisely the problem you have just mentioned, the difficulty of a struggling young family, even though they are paying their own way, being asked at that moment to pay somebody else's way?

Mr. Schorr. Young families have not been socialized into thinking of themselves as poor and needing to do the things that poor people need to do to get income. I think they do not think of asking for help and resent being taxed at the same time.

I think children's allowances, providing support for children—simply because the Nation thinks children important—would come to them with quite a different feeling than a way that says to them, "You make a demonstration that you need help," placing conditions on the help, and perhaps giving it to them.

Let me point to a different effect of this.

The income tax exemption for children would be wiped out in enacting a children's allowance. Just looking at a single family, one effect of giving them a cash payment early and taxing it later is to give them money from their own future, when the man will be making a great deal more, presumably, and his wife may be working.

It would take money from his future and give it to him early in his marriage when he needs it most desperately.

Senator McGovern. Senator Cook?

Senator Cook. I agree.

Mr. Schorr. I would be glad to close on that.

ADMINISTRATIVE EFFICIENCY OF CHILDREN'S ALLOWANCE

Senator McGovern. Your presentation is very convincing. Of course, I am prejudiced, because I am more and more coming to the view that we have to develop a program to get at the income-maintenance problem in this country that doesn't set poor people off in a category by themselves.

I have just one further point. I would like to comment on the fact that you would eliminate much of the administrative red tape if you just automatically qualified every child on a simple affidavit based on the birth certificate. If a family has four or five children under 18 years of age, it dosen't make any difference whether they are rich, poor or middle, they automatically qualify.

Isn't that the most administratively efficient income-maintenance program that could be devised?

Mr. SCHORR. Public assistance runs on something like 7 to 10 percent cash outlay for administrative cost. Social security runs on around 2½ or 3 percent.

Canada runs their children's allowance program on less than 1 percent cash outlay. I can't help but believe we would do as well.

Senator COOK. This is where my hangup comes. I have a feeling that if the bureaucratic system in this country can foul it up, they will foul it up. They will find a way.

Senator MCGOVERN. Thank you very much, Professor Schorr. We appreciate your statement.

The committee will be in recess until 10 o'clock tomorrow.

(Whereupon, at 12:10 p.m. the select committee recessed, to reconvene at 10 a.m., Wednesday, March 4, 1970.)

NUTRITION AND HUMAN NEEDS

WEDNESDAY, MARCH 4, 1970

U.S. SENATE,
SELECT COMMITTEE ON NUTRITION AND HUMAN NEEDS,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room G-308, New Senate Office Building, Senator George S. McGovern (chairman of the committee) presiding.

Present: Senator McGovern.

Also present: Peter Stavrianos, professional staff member; and Clarence V. McKee, professional staff member for the minority.

OPENING STATEMENT BY HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA, CHAIRMAN OF THE COMMITTEE

Senator McGOVERN. The committee will be in order.

Our first witness today is the distinguished Senator from Oklahoma, Senator Harris, who is the author of one of the most comprehensive and thoughtful proposals that has yet been made for the reform and reordering of our existing welfare programs.

I have looked at the proposal with great personal interest and am very much impressed with the thought and energy that Senator Harris has invested in this effort to arrive at a more rational welfare system and better programs for dealing with the low-income families in the Nation.

So, Senator Harris, we are especially pleased to welcome you as the lead-off witness in today's hearing.

STATEMENT OF HON. FRED R. HARRIS, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator HARRIS. Thank you very much, Mr. Chairman.

It is a pleasure for me to testify before this committee as part of your continuing and comprehensive inquiry into the problem of hunger and malnutrition in this country. I think it is extremely important that we continue to explore new ways of actually combating these and other social problems that so desperately need attention.

President Franklin D. Roosevelt in another time of social crisis said:

> * * * today, in our boasted modern civilization, we are facing just exactly the same problem, just exactly the same conflict between two schools of philosophy

> that they faced in the earliest days of America, and indeed the earliest days of the world. One of them—and one of these old philosophies—is the philosophy of those who would "let things alone," and the other is the philosophy that strives for something new—something that the human race has never attained yet, but something which I believe the human race can and will attain—social justice, through social action.

In these recent days when we have heard something about "benign neglect," I think it is well to recall these words that call not for letting things alone but calling for action as advocated by this subcommittee.

It is through the work of committees such as this that social justice can be attained and I lend my full support to join efforts.

Today, I would like to discuss how cash assistance programs with a national minimum income level would attack this pressing need which you have so exhaustively documented.

Recently, I introduced, with eight other Senators, the National Basic Income and Incentive Act (S. 3433), which I believe to be superior to the other programs employing the same principles which are now under consideration by the Congress.

At the outset, however, I would be less than candid if I did not say that programs employing this principle can not work in isolation.

To advocate minimum income proposals outside the context of related measures to upgrade the level of opportunity for those now at the bottom of the economic ladder would be unrealistic and irreconcilable with our democratic ideals—a universal health insurance program, full commitment to education, increased social security benefits, a more comprehensive workmen's compensation act, and higher minimum wage levels are clearly called for.

Above all, we need an updated manpower program, so that a guaranteed job becomes an effective policy, as intended by the Full Employment Act of 1945. Additionally, the children's allowance program which you have advocated, Mr. Chairman, is a promising approach which deserves careful consideration. I believe that there is no contradiction between programs employing the minimum income provision and such a children's allowance. In short, a variety of interrelated measures must be seen as needed parts of an integrated effort to wipe out poverty and achieve a society which is responsive to the needs of all its people.

The President's decision to advocate a federally financed minimum income program has brought the defects in our present welfare system to the attention of the Nation, and has provided the opportunity for comprehensive discussion of this approach.

As my testimony will indicate, I believe that there are serious defects with the specifics of the program the administration has proposed, but I believe the underlying principle of a minimum income for all Americans is sound, and is greatly needed at this time.

Turning to the substance of my comments, the first point that we must keep in mind is that there is in general a direct relationship between level of income and quality of diet, although other factors are of course involved. The Department of Agriculture, in its national survey, reported in the Statistical Summary issued by this committee, found that of the families with less than $3,000 annual income, 36 percent had poor diets and another 27 percent were below recommended dietary allowances in some categories.

As income goes up, the percentage in the group in question with poor diets decreases until the point that only 9 percent of families with incomes of $10,000 or more have poor diets, or, in other words, only one-quarter of the percentage found in the lowest income group.

These statistics indicate two things: First, that if we can increase the income of the poorest group in our population, we can expect to substantially improve the quality of their diets. Second, that increased income is not enough; it will be necessary to make all of our citizens aware of the importance of a proper diet, and to provide information and instruction to help them achieve it.

These statistics, and the logical conclusions which follow, have led many to advocate an increase in the money income of the poor.

Mr. Ben Heineman, Chairman of the President's Commission on Income Maintenance Programs, testified eloquently to this point in his appearance before the committee last spring. He said:

> The main problem facing poor people is not a failure of food programs, but a lack of money. Poor food consumption is only one symptom of inadequate income. Clearly, legislative and/or administrative changes cannot make a food supplement program fully effective in raising the dietary levels of the needy while there is still inadequate income for the other necessities of life. Without adequate income levels, there will be a tendency for recipients to substitute the free food for their former purchases to increase their purchase of other family necessities, or they may be reluctant to participate in any food program which requires a fixed outlay for food. Such a plan hampers their ability to adjust expenditures to meet other family needs.

As you know, Mr. Heineman and his Commission ultimately recommend a program based on increasing the income of the poor.

Similarly, Dr. Jean Mayer, the Special White House Consultant on Hunger and Malnutrition, has spoken of both the advantages to the family of a direct-income program, and of administrative advantages from that type of program.

Yesterday, Mr. Mitchell Ginsberg, human resources administrator of the city of New York, also supported increased income in preference to a food quotient in his testimony before you.

Along the same lines I have proposed the National Basic Income and Incentive Act. What it would accomplish, if enacted, is rather simple, yet of fundamental importance: If it becomes law, it would insure that a lack of family income and resources would no longer be a cause contributing to hunger and malnutrition, for it would mean that every family would be able to obtain the necessary components for a proper diet.

In conjunction with other programs designed to inform the public, I believe that this bill will make it possible for the national disgrace of hunger and malnutrition to be substantially eliminated.

One of the strong points of this bill is that positive guarantees are available that the additional income will be received by all of those eligible, because the entire program will ultimately be supported by the Federal Government and administered under the direction of the Department of Health, Education, and Welfare.

In the attempt to eliminate hunger and malnutrition, I believe that this feature is of great importance. All of our experience indicates that for a variety of reasons, including the opposition of some localities and States, food stamp and commodity distribution programs—and of the two I favor, as you know quite well, the food stamp program and its extension—have failed to reach a number of that portion of the population which is most in need of assistance.

A February 1969 study showed that only 21.6 percent of the poor of the Nation participated in food stamp programs, and only 32.7 percent received the benefits of commodity distribution programs.

By contrast, the National Basic Income and Incentive Act would provide cash income which would bring all of our citizens up to at least the current poverty level over a 3-year phase-in period. This could be used to buy foodstuffs directly or to purchase food stamps which would stretch their income further.

As long as we cannot even reach a third of the poor in the country with the current type of assistance, it is, of course, impossible to bring an end to hunger. When we consider the problems of poverty and hunger, proposed solutions must be directed not only at achieving a high enough level of assistance to insure that the real needs of recipients are met, but also at obtaining complete coverage of those eligible for aid. These two criteria are fundamental.

During the first 2 years of the program established by the National Basic Income and Incentive Act, a food stamp program would be particularly important and needed. In the first year, the basic income benefit would be 70 percent of the minimum living requirement, or approximately $2,520, assuming the poverty level to be $3,600; in the second year, the basic income benefit for a family of four would be 85 percent of the minimum living requirement, or approximately $3,060; and in the final year, the basic benefit for a family of four would be the full minimum living requirement.

During the first 2 years, food stamp programs would provide a means of bringing the effective income of those with incomes below the poverty line closer to that minimum standard. Such a stamp program, I believe, should employ the same simple declaration method of determining eligibility as would be employed under the Basic Income and Incentive Act.

This method has proved to be a reliable and inexpensive means of determining eligibility where it has been tried, and would have the additional advantage that eligibility, once determined, would be established for both assistance and food stamp programs.

Turning to the administration's proposed family assistance program, I believe that there are serious weaknesses in the amount of assistance provided.

"The single most objectionable provision in the President's proposal", as I said when I introduced S. 3433, "is the $1.600 annual income floor for a family of four."

The total benefits from the proposed administration program, and from the proposed administration food stamp program, together, would exceed the poverty level in only six States, leaving the poor in the other 44 States lacking in the basic resources to provide even a minimally acceptable standard of living, as far as Federal assistance is concerned, and therefore almost certainly guaranteeing that a majority of them would not have a diet that met the minimum nutritional standards.

Almost all of these citizens receiving benefits under the administration plan would be spending an amount for food at or below the amount necessary to provide the USDA economy food plan level. However, the USDA has found that less than one family in 10 that spends money for food at this level actually achieves a nutritious diet.

Furthermore, without a guarantee that the States would not cut their level of assistance because of the new Federal program, these levels might fall to the extent that even more families would fail to achieve an income at the poverty level, if some or all States chose to cut their levels of payment because of the existence of the proposed Federal program, however inadequate it might be.

I was happy to note that the bill to be reported by the Ways and Means Committee of the House does contain such a restriction, unlike the administration bill, prohibiting reductions in the assistance levels in those 40 States which are now above the $1,600 figure.

The most important to remember, however, is that under the administration proposal, even with the proposed food stamp program, it would not be possible to eliminate hunger and malnutrition. By contrast, the National Basic Income and Incentive Act provisions would bring all citizens in all States to the minimum-income level, and allow further improvement if a food stamp program was continued.

Hunger and poverty are a national disgrace in the richest nation which has ever existed on the face of the globe, and a nation which has the most agricultural productive capacity and potential. It is long past time that we begin to take steps not only to study these problems, but to take positive action to rectify them, as you, Mr. Chairman, and this subcommittee have so ardently and vigorously proposed.

There would be, of course, substantial costs attached to these efforts, but nothing that would be impossible, or even particularly burdensome. At present, we are making an effort in the welfare field which is not only less than that in other industrialized nations, but also less than what we have done in the past.

According to the International Labor Organization, total welfare benefits as a percentage of National Consumption expenditures in the United States are only 7.6 percent, while the same figure for Japan is 8.3 percent; for Canada, 12.4 percent; for the United Kingdom, 13.5 percent; for France, 18.6 percent; for West Germany, 21.0 percent.

Thus, even a substantial increase in our welfare expenditures would probably bring us to a level that was still lower proportionately than is the case in nations which are less affluent than the United States.

Another piece of evidence which attests to our ability to absorb additional expenditures in this area emerges when we compare public assistance as a percent of personal income totals in the United States at several points in time.

In 1940, this figure was 3.4 percent, according to the Social Security Administration; while by 1950, it had declined to 1 percent; and since 1955 has remained steady at only eight-tenths of 1 percent.

Since GNP and aggregate personal income have increased markedly in this period, a 1-percent effort in 1970 would be much less burdensome than was a 1-percent effort in 1950. There should, therefore, be little doubt that we can find the necessary funds to do an adequate job of ending poverty and hunger, if we are only willing to try.

A question has been raised about the ultimate success of this or any such program, often stated in the form of an assertion that "the poor are always with us." This is both demeaning to many of our citizens and unfounded in fact.

In the 10 years between 1959 and 1969, the number of people who could be counted as "poor," according to the official measure of the Bureau of the Census, dropped by 14 million persons—from 39.4 to 25.4 million. So the real question is not whether we can succeed in eliminating poverty, but whether we are willing to take the additional steps to lower the number still further.

Quite obviously, 25 million poor people in a country as rich as ours is too many.

We have made real progress in raising social security benefit levels and in raising wage levels and the Federal minimum wage over the years, but we need to do more. Similarly, we should not be satisfied with the amount of progress we have made in manpower development training and similar programs, or in creating new job opportunities in the public and other personnel-shortage areas of community service.

The National Basic Income and Incentive Act would provide the base for these other needed programs by giving poor people a new chance at a fair existence, out of which a constructive and improved position in society can be developed for most of them if we are willing to make the effort needed.

Another question which is often asked, either explicitly or implicitly, is whether the poor can be trusted to use such an increase in direct cash assistance as would be provided by this program to improve their diets, or whether they would waste the additional income, the implication being that only with food stamp or direct commodity distribution programs could there be assurance that the additional assistance would actually be used for the intended purposes.

Like so many canards that are loosed whenever a new approach to welfare is suggested, this charge has no basis in fact. The poor, with their limited resources, cannot afford to be frivolous.

A USDA survey found that when the nutrients furnished by a dollar's worth of food were tabulated, that the lower the income of the group in question, the more value was obtained. Whether the measure was on caloric value, protein, calcium, vitamin A, or ascorbic acid, those with lower incomes bought more intelligently and received more nutrients for their money.

The same study showed that the amount spent on liquor and the amount of liquor consumed by those surveyed was lowest for those under the poverty line in income.

One of the most important things that I believe the National Basic Income and Incentive Act will do is to demonstrate to the poor that the rest of society trusts them, and genuinely desires to help them improve their own situations.

We are basically decent and generous people. But we have never fully understood the power of poverty to corrode a life, to destroy initiative, to extinguish hope. The basic answer to poverty, to malnutrition, and to hunger is prevention. We know how to prevent poverty as surely as we know how to prevent smallpox or polio, any measures of alleviation, however well conceived, must be seen as transitional, residual or supplementary to these measures that will prevent poverty before it occurs.

A remedy such as the administration proposes which will pay less in cash benefits than the amount presently provided by 40 of the 50 States hardly meets the challenge of preventing poverty and all the symptomatic difficulties that accompany it.

Let us now move to develop the preventive measures which are needed.

I believe that the National Basic Income and Incentive Act can be the foundation upon which we mount this challenge. Only with a measure of this sort can we provide the income which will eliminate poverty, and therefore eliminate the financial reasons for the existence of malnutrition and hunger.

With such a program, it will be possible through education to relegate malnutrition in this country to the category of historical aberration. Without it, none of our plans and halfway efforts will end the shame and paradox of poverty in this rich Nation.

James Tobin, writing in Agenda for the Nation, summarized in stark terms our responsibilties in the field of social justice:

> So long as any family is found below the official poverty line, no politician will be able to claim victory in the war on poverty or to ignore the repeated solemn acknowledgments of society's obligation to its poorer members.

Senator McGOVERN. Thank you ever so much, Senator Harris, for a superb statement in explanation of your proposal.

As you know the proposal that the President has made, the so-called family assistance plan, has received considerable criticism from some of the States that have done the most in the way of assistance. A feeling has developed that the administration proposal was, as a matter of fact, benefitting most those States that have done the poorest job of meeting the needs of the poor.

How would your phased-in movement toward full Federal assumption of the program affect this problem?

Senator HARRIS. I think you have put your finger on a very serious defect in the President's system.

I will say this: I read 2 or 3 weeks ago where the Secretary of Labor Shultz said, quite rightly, in my judgment, what both welfare recipients and taxpayers have been saying for a good while, that the present welfare system is a failure. It traps people in poverty rather than helping to get them out of it.

He said that the only thing to do with something like the bubonic plague is to cure it; there is no half way to go about it. Yet, that is exactly what the administration is attempting to do.

For example, it sets, as I have said, a $1,600 limit. That is below what 40 States are now doing. So, while it moves to set a minimum level, it reminds me of what Gus Tyler with the International Ladies, Garment Workers' Union once said. He said over the years if you look at what Congress has done you find that the conservatives in the country and in the Congress have been willing to let the liberals say "What" if they can say "How much?".

So, the liberals with the administration plan would get to say "What", that is, we would start with some minimum income floor in

America, but the conservatives would win out by saying "How much?" and how much is far too inadequate.

Another administration official recently said, I believe it was the President, himself, as a matter of fact, said that a child in one State is not worth more or less than a child in another State. I agree with that. I think that a child growing up in Mississippi ought to have the same chance at the starting line for a decent life as a child growing up in Oklahoma.

Yet, that basic fault with the present welfare system, that crazy quilt of variation in how much assistance we will give, will not be cured by the administration's program.

I might add additionally, that the administration program fails to relieve the States of the tremendous financial burden that they have been carrying. All of the States are having financial problems as a result of the twin and increasing burdens of welfare and education. Under my bill, we would take the welfare burden off them altogether.

Senator McGovern. I think one of the problems we all recognize in American political and social life today is the difficulties of raising hopes that go beyond the capacity of our programs to resolve. This has been one of my anxieties about the so-called family assistance proposal.

The impression is given that for the first time we are going to put a floor under the income of all American families to the point where poverty is ended. It seems to me that the merit of your proposal is that it comes much closer to facing up to what needs to be done to realize that hope.

Is it not a fact that what the poor really need and want to escape from poverty, that is, those who are able to work, is a job?

Senator Harris. That is right.

Senator McGovern. What role do you think public service employment should play in creating more job opportunities? Do you find that compatible with your proposal?

Senator Harris. I think it is not only compatible but essential.

I will say first the President, himself, has said several times that he thought one of the faults of the recent administrations was that they had seemed to promise more than was delivered. I believe that the same criticism could be leveled at the family assistance program of this administration.

There are intellectuals and liberals who like it because we recognize the Federal principle involved. But the poor will get very little satisfaction out of our approval of the intellectual philosophy if it does not provide enough income.

Now, I have said on other occasions and I repeat here that somehow the notion persists, in America, that if we could just give the poor enough voice they would quit being poor, but in this highly urbanized and highly technological society that is just not working for a great number of people. Partly it is because of the barriers of racism which keep people from jobs and from other opportunities for decent education, for health, for decent housing, and other opportunities in our society, and partly because of the debilitating effects of poverty in this kind of complex society.

I think that we have to say, first of all, that any society which calls itself civilized and tolerates unemployment for those who want to work is not living up to what it calls itself.

I believe that when we said back in 1945 with the Full Employment Act that we felt it should be Government policy to assure every person a job, we should today make clear that we mean that, that it is not just rhetoric but it is a right of every person in this country.

I believe that we should say that there are other kinds of rights. That the people in America in addition to the traditional civil rights, the right to live and lodge and work where one wants, also have a right to a decent education and a right to good health and a right to enough to eat.

The great work you have done and the committee has done has begun to impress some of these basic rights on our minds. These, it seems to me, are basic kinds of rights and not matters of charity for any American child, any American citizen.

I think one of the basic defects of the President's program is that while it talks of workfare and the need to encourage people to go to work, there are no jobs provided. That is the problem about all our present training programs today. So many of them wind up training a person for a job which does not exist. So he winds up a great deal more frustrated than he was after getting motivated enough to find his way through the maze of the complicated and varied kinds of programs we have for job training.

He manages to get in one, he manages to go through and complete it, and then finds there is no job at the end of the road; I think he rightly ought to feel sort of mad at some of us in the Congress and in the country who have not given him any better reality for the hopes that we have raised.

I would support a bill such as has been introduced in the House by Representative James O'Hara which would carry out almost exactly what the Kerner Commision, on which I served as a member, recommended, and that is to increase the public service employment considerably. There are plenty of jobs that need to be done. We don't have to worry about make work. We have tremendous problems of personnel shortages in health and in education, in law enforcement, in cleaning up our cities, in rebuilding the cities and so forth. I believe a lot of these jobs can be made available to poor people and that they can be open-ended, sort of career-building jobs, as well. The Federal Government needs to help States and municipalities and county governments and others to provide them.

Also, I am willing and I have urged that the Federal Government also subsidize private industry for being willing to take the increased risk. I think that the JOBS program and the National Alliance of Businessmen program to create private jobs are very well intentioned but the fact is they have not created sufficient jobs in the private sector.

We have to understand that in addition to two and a half million or so hard-core unemployed there are some 10 million Americans who are working, about 6 million of them full time, and still are below the poverty line.

If we are just going to scratch the surface, as we have always done, why, then, obviously we are not going to really make any advance on helping people out of poverty. So, I think that is No. 1.

Senator McGOVERN. In that connection, Senator Harris, is it not a fact that there are large numbers of things that we need to do in this country that are not a part of the profit system, that is, jobs that need to be done in the public sector where there is no profit?

You can't expect private industry to go in and do the types of things that need to be done in terms of outdoor recreation and rebuilding our cities, providing better services, public services, for the people of our cities and States, when there is no profit in it.

So that places a very special obligation, I think, on those of us who are trying to get on top of the problem of unemployment and the unmet public services in our country and put the two together in some kind of workable fashion, does it not?

Senator HARRIS. You are absolutely right.

You have to build upon whatever motives we can find. The profit motive is a very powerful one in our society. I think we ought to build upon it and turn it to public and social ends.

I don't believe, as you have said, that you can expect a corporate manager in our society to spend a great deal of the income and assets of a corporation under our system for social goals and very long stay as a corporate manager.

I think you are going to have to build upon public employment and at the same time provide incentives for private employment. For that matter, we are going to have to expand our definition of work in the years to come if we are to guarantee a job for every American, as I think we should.

There are other basic defects in the President's program which should be mentioned. You will recall, and you joined with us at the time, the late Senator Robert Kennedy and I opposed very vigorously in the fall of 1967 the punitive and regressive amendments which were adopted to the welfare laws. We were largely successful in that fight against those provisions in the Senate, though, as you know, we were unsuccessful eventually in the conference.

One of the things that we fought at that time was the requirement in the law that mothers receiving aid for families with dependent children who had minor children in their homes had to go to work.

What we advocated instead was that we change the system which exists in most of the States that requires a father to get out of the home in order for his family to be entitled to assistance, and instead say that in every State that kind of family must be made eligible by Federal requirement, and that the father then go in a work or training program within 30 days.

Instead of that, almost incredibly and certainly very punitively, the Congress decided to continue the present system where in most of the States the father must leave the home for his family to be eligible for assistance if he is unemployed. Then the law was passed to require the mother to go to work, both provisions therefore resulting in greater pressures which are already great enough for family deterioration.

Now, the proposal of President Nixon would continue that kind of system and would not make exceptions from the work requirement for mothers of schoolchildren.

The National Basic Income Incentive Act which I introduced would make exceptions for those and other people receiving welfare. It would also, unlike the Nixon proposal, not require a person to go to work in a job which did not pay the minimum wage or the prevailing wage, whichever is higher.

I think otherwise you would face the proposition that a State might require a welfare mother of schoolchildren to go into some kind of 75-cents-an-hour cleaning up of houses or picking cotton or whatever, when it seems to me that society's needs for her to administer to her own children are far, far more important and of greater value to us, as well as being more humane.

My bill would also provide greater incentives both for those required to work and those accepted to go into work programs by allowing them to keep a greater share of their income.

Senator McGOVERN. Senator Harris, are you a little troubled over all the talk about work incentives when the people who already want to work and are out looking for jobs can't find them?

Senator HARRIS. Yes, sir.

Senator McGOVERN. What are you going to do if you create all this incentive and build up an enormous increased desire on the part of people to work when those who are already looking for jobs can't find a place to work? What happens?

Senator HARRIS. It seems a rather heartless policy to me, Mr. Chairman, that we would consciously pursue a policy of putting hundreds of thousands of Americans into jobless lines in order to, as we say, get our economy back to normal and at the same time not to provide some kind of net to catch that fallout of those who will be in the jobless line.

It is an amazing thing to me that more of us don't cry out against the economic, fiscal, and monetary policies of this administration. It seems to me it is almost like Alice in Wonderland. If we dropped down here from Mars and we weren't accustomed to all this economic jargon that we have become accustomed to in recent years, and if we heard the Chairman of the Federal Reserve Board, Dr. Arthur Burns testify as he did the other day to the Joint Economic Committee—in a nation which is the richest, most productive nation in the world, the most affluent, with the greatest demand for goods and products, with the greatest demand for housing, for example, with already hundreds of thousands in the jobless line and looking for work—that as a part of official Government policy we are very pleased to report to you gentlemen that we have been able to get economic growth almost down to zero, that housing starts are way down, that unemployment is up, we are happy to tell you, and probably is going to go up further, and that we are idling plant capacity, production is down, and these are all very good signs and it looks like we have this thing under control—it would seem incredible. It seems to me to be a wretched and heartless policy that we could allow ourselves to be so accustomed to these economic theories that all this would come to be seen as quite all right.

There was an administration official in my home State not long ago; that is, an official who supports the administration, who said at Tulsa, Okla., when asked about 40 people who had just been laid off at a local plant there, that "If we are going to get our economy under control there are just going to have to be some hungry mouths."

That is a direct quote.

When asked further about it, he said, "Well, there are only 40 people."

That reminds me, Mr. Chairman, of what Senator Richard Russell said when he came to the Senate. The chairman of the Armed Services Committee was a man from my home town, Thomas P. Gore, a blind man. Senator Russell said in one of the first meetings of the Armed Services Committee—they were talking about benefits for widows and orphans of those who died in the Spanish-American War—Senator Russell said, "I was a brash young fellow and said, 'I don't see how you can call that much of a war. There were only 369 people killed in the whole war.' Senator Gore said to me 'For those 369 it was a hell of a war.' "

And for those 40 people who have been laid off at Tulsa, all this talk about whether or not we are going to have to have a recession is academic, there already is one.

Senator **McGovern**. Thank you very much, Senator Harris, for your presentation. We do appreciate it.

Senator **Harris**. Thank you, Mr. Chairman.

Senator **McGovern**. Dr. Wiley, we are happy to welcome you to this committee. The members of the committee know that you are executive director of the National Welfare Rights Organization and that you have been an outstanding and articulate spokesman for not only welfare reform but for a dignified and adequate program to put an end once and for all to poverty in the United States.

We are somewhat familiar with the major outline of your proposal. It is one that I have looked into very carefully and with considerable sympathy.

I have delayed introducing, as you know, a legislative proposal of my own until there is some opportunity to get the full import of your thinking and the thinking of other people who are working in this field.

So, I personally, want to welcome you with special pleasure to this committee.

We are most anxious to hear your comments.

STATEMENT OF GEORGE A. WILEY, EXECUTIVE DIRECTOR, NATIONAL WELFARE RIGHTS ORGANIZATION; ACCOMPANIED BY MRS. JEANETTE WASHINGTON, MEMBER OF THE EXECUTIVE COMMITTEE

Mr. **Wiley**. I would like to introduce Mrs. Jeanette Washington, who is one of the members of the executive committee of the National Welfare Rights Organization and vice chairman of the citywide organization in New York City, and a recipient, herself, and one of the leaders from the beginning in the National Welfare Rights Organization.

I want to say at the outset, No. 1, that I had asked Senator Harris if he could possibly stay and hear this testimony because in many senses we have what we regard a very cogent message for the liberals in the House and in the Senate and we regard Senator Harris as a friend who has fought against repressive welfare legislation in 1967 along with the late Senator Kennedy and yourself, Senator McGovern, who have brought out the serious problem of hunger and malnutrition in this country.

We have appreciated and admired the work you have done.

We feel especially concerned that we get the support of the liberal Senators and Congressmen around the issues that poor people have identified as their No. 1 issue in dealing with the problem of hunger and that is an adequate income and getting a drive for an adequate income for every citizen in this country.

We do not stress a guaranteed income. We stress adequate income. When we say adequate income, we are talking about an income to meet the real necessities of life in this country.

We want to talk a little more about that but I would like to introduce Mrs. Washington to say something about the problem as we see it.

Senator McGovern. We are happy to welcome you to the committee, Mrs. Washington.

Mrs. Washington. Thank you very much.

I am a welfare recipient. I was raised on welfare and I am raising children on welfare. I have eight children. It is not an easy job. And I live in the State of New York which is supposed to be the Empire State of the world.

POVERTY AMID PLENTY

The cutback in the budget in New York State has affected my family and all families not only in New York City but all across the country.

My involvement in the National Welfare Rights Organization took my concern of myself primarily and put it on people, black people, white people, Mexican-Americans, Indians, people in general who are poor, who are hungry, who were in need and asking for redress from this American Government that has said we have a right.

Yet, when we went to the door, they said, "Don't knock; just walk in." When we get to the door, it is locked. We have seemed to find that during the course of the whole 30 years of this whole welfare program it is not doing the job it is supposed to do. It is supposed to get people on their feet and back into the American mainstream.

I am an example of that. I went to school in New York. I did not get educational opportunities; job opportunities were not there. As far as my children right now, there are not educational opportunities.

Since I have been involved in this movement, I have had problems with my children but I have let that not be a big thing in my life. But I have one that has been kicked out of school and become what you call another "problem" to society as far as drugs are concerned.

So, therefore, you see the cycle of poverty is not just money and giving us some food and a place to live, but it is many more things, the whole environment in which our children are to be raised, also.

I would just like to make a little statement from this printed statement here concerning how we feel because, as a mother, I have been out here struggling many days and I have said, "What is the use? Why should I go out again tomorrow because every day we go out we knock on doors and people say 'OK' "; always the promise of a package.

I have gotten to the point where I am a little tired of hearing about the promises and I have asked the Governor of New York State and the mayor of New York City and the commissioner of welfare, "What do you expect us to do? Continue to be nice and passive and law-abiding citizens and orderly people when we are seeing hunger, we are seeing children without proper clothing, we are seeing elderly people who cannot go to a clinic, we are seeing blind people who cannot come out of homes, we are seeing pregnant mothers that do not have adequate clothing or diets to have a child in a good healthy condition.

"We are getting maltreatment from the doctors who are getting a lot of money from medicaid.

"Do they expect us to continue to be passive?"

I ask myself that many days why have I not wrecked a place where I can get my anger off. Again I think like so many poor people that may not be the same feeling, you know, the same level of feeling that I am at. Breaking up a place certainly is not going to feed the people, certainly is not going to make the Government give it to us tomorrow. So. I think twice.

But many days the emotions of the moment make you not think.

I would just like to make this statement here.

I am just wondering, how long can poor people stand on the outside of affluent America and be told to quietly watch and wait, to be still while their children starve? Poor people see the affluence around them. Poor people see the millions and billions being spent on everything from moon rockets to Merry Widow uniforms for the White House guards. How can the poor relate to a country where newspapers spend pages describing Mrs. Pompidou's hemlines while children in Wisconsin are without winter coats?

Government officials and average citizens alike are allegedly concerned about the fragmentation and polarization of our country. The biggest gap, gentlemen, is not generational, political, or even racial. The biggest gap is between the poor and the nonpoor.

We have a big struggle going on at this moment, not just organizing poor people to learn their rights, their constitutional rights and their rights as human beings. We are also involved in a struggle to educate the middle class. They have also been told the lie that poor people live at their expense.

Because I happened to live in a community which pays high taxes for the food that we buy, the prices go up when the checks come, we pay taxes in our rents, we pay water taxes; we purchase cigarettes, taxes are involved in that, also. But these taxes do very little for poor people.

As far as even education, our pennies go to education and yet our children never are allowed to get a student loan to further their education.

So, we question many times the fact that middle class is always told that poor people live at their expense and we are not tax-paying citizens so we don't have any rights to say what we need and what we want.

I look around and see middle-income co-ops going up at Federal Government expense. I see children getting educational opportunities in college in New York City at the expense of poor people's children who never get a chance to finish high school.

I just question who is living on welfare and are we really living at the expense of middle-class folks. I question Governor Rockefeller being so rich and involved in so many corporations and they have not been taxed for years but yet our taxes are continuing to go up. When they give us our welfare checks, we still have to pay those taxes and they increase.

Carfare is being eliminated. Transportation prices are going up. We are being concentrated in our area because people cannot travel in those areas. They are confined to the communities.

I thank you very much for speaking to you, sir, and to this body. I hope in summary you will be able to make good your promises and do some effective work because I tell you a lot of us are tired of being studied and talked to, committee meetings are called, conferences are called, and nothing ever ends up.

Now the President is talking about air pollution and environment, the conditions of the slums, lead poisoning the children in our community. If we are given enough money to provide decent places for our children, many of those problems will be erased because lead poisoning does not vanish; it is still there even though you cover it up with another coat of paint in those old buildings, because that is the only place that people have to live.

Thank you, sir.

Senator **McGovern**. Thank you, Mrs. Washington.

Did I understand you to say that, in your judgment, the most important gap that we need to concentrate on is the gap between the rich and the poor?

Recognizing that there is a continuing civil rights inequality, that there is a gap between blacks and whites, what you are suggesting is that the most important problem to focus on is to close that gap between the poor and the rich. Is that a correct statement?

Mrs. **Washington**. Yes. It takes a lot of education on that from our point. First of all, people are quite hostile to poor people coming in and telling them they have been wrong. They have always told us about the financial cushion. We don't know anything about financial cushion. That is for rich folks, you know. We have said that we feel that education must go on but people need something in the meantime: we need to be given things that are already here on the statute books, such as given basic things to survive until the country decides to getting down to really take care of business, you know.

Poor people are saying the middle-class people are a bigger problem than rich folks because they think we are enemies.

Senator **McGovern**. Beyond that, you are also suggesting, as I understand the import of your point, that many times poor blacks and poor whites are in combat with each other.

Mrs. **Washington**. That has been the history of black people and white people fighting each other.

Since I have been involved in the National Welfare Rights Organization and I have been speaking to a lot of people, especially poor people, I have tried to make them understand that it is not a black and white situation. It is a poor people situation and we must rally our support and our strength together to confront this country with the problems of the poor people, be they black, white, Puerto Rican, Mexican-Americans, or Indians, because we have the problems even as far as the Indians are concerned.

Senator McGovern. Don't you think one of the reasons for the continuing tension and combat that exists in some areas between poor whites and poor blacks stems from that very point, that they are competing with each other for jobs that are too few, for decent houses that are too few? They are in a poverty grip in which, without regard to color, people are thrown into combat with each other.

Mrs. Washington. It is the same thing as far as black and white competing for jobs, competing for housing. Yet, they are both in the same situation. I think the misinformation that has been going around has caused that to happen. We have a big job to do. The middle class have a job to educate their people to really know what is going on in the society.

We have to eventually hurry up, otherwise many problems will arise that we will not even begin to find a solution to.

Mr. Wiley. Senator, could we finish the statement and then answer the questions?

One of the things that is very basic to what Mrs. Washington said is that poor people are organizing and trying to press to change this terrible welfare system and the rotten way in which poor people are treated. There has been little but promises, studies, and phony programs that have not dealt with the basic problems of poverty in this country and that people in the poor communities, black and white, Chicano, Indian, Puerto Rican, poor people are tired of waiting for programs that are supposed to help them, that don't really help them.

We are concerned that the Nixon welfare program nor any of the other programs that we have seen deal with the fundamental problems that organized poor people have raised and that is inadequate income for all poor people. The Government's own figures, the Bureau of Labor Statistics figures, can clearly be demonstrated to show that it takes at least $5,500 a year for a family of four to meet the basic necessities of life.

Where are the programs that have been advanced and where are the Congressmen and Senators who are out fighting for a $5,500 income for every citizen?

The Nixon "illfare," workfare program is a totally inadequate program. A $1,600 program is inadequate. But any program that talks about levels of $2,400, $3,200, $3,600, are thousands of dollars away from what is necessary to meet the basic necessities of life, do not come anywhere near the basic proposals that organized poor people across the country have been making as what they see is necessary to meet their minimum needs.

Now the proposals for an adequate income have risen in all of the 300 welfare rights organizations across the country. The questions of adequate money to meet the needs of families, for food, for clothing, for shelter, are regarded as basic for all poor people for meeting the problems that they face.

This is something that the welfare rights organizations all across the country have come up time and time again is how can we get more money to meet the basic needs of our families? Look at the history. The Government fought a war on poverty and the poor people lost. Both modern and liberal candidates for public office continuously promised to help poor people but no matter what candidate wins, poor people lose.

The only programs that poor people believe in, the only programs that poor people want, are action programs now to produce adequate income to meet the necessities. Hunger is not an academic problem. There has been sufficient time studying the problem, preparing reports, gathering statistics, making statements, holding hearings.

What we are saying is that we are tired of this and that we need a solution and a solution means action now and motion now toward an adequate income.

I think that it is important that poor people begin to speak out and expose the inadequacy of President Nixon's proposals. The fact is that a $1,600 proposal comes nowhere near meeting basic needs but the fact is also that none of the other proposals that are advanced that I have heard come anywhere near meeting basic needs.

It is remarkable to me that we have had a White House conference on food, nutrition, and health, a White House conference where poor people came to that conference and appealed to citizens from all walks of life around what poor people felt were the basic problems and the basic solution to hunger and that conference came out with a recommendation for immediate emergency action to distribute free food stamps now and free food now to all the hungry people. It came out as a more basic solution the guaranteeing of a $5,500 adequate income for all citizens.

Yet, there has been no action around those proposals. The President has ignored those proposals. The people on Capitol Hill have appeared to prefer to ignore those proposals. We in the welfare rights organizations are deeply concerned about the fact that the voices of poor people are not being heard, that we do not have a coalition of liberal and moderate Senators and Representatives in the House rallying around the issues as identified by the people.

I think that what you are going to have is as poor people are organizing, we have now more than 75,000 members across this country, people in the ghettos and barrios, people who are black and white and Chicano and Mexican-American, who are organizing and prepared to wage a political struggle around the issues that we see as important to our survival.

Let no one mistake and let no candidate for political office, be they local or State or congressional or senatorial or the President of the United States, let no candidate for political office fail to recognize that we are organized and building and intend to have a base of power that can deal with those people who don't respond to our issues.

In New York State right now, there is a race going on for Governor. I want you to know that people, that candidates and their representatives have been sitting on door steps of the welfare rights organization asking how they can get our support. What is going to happen today in the political arena is that liberal candidates and people who say that they have been with us and they are for us, they are going to come to our door, and we are going to be somewhere else.

We are going to be putting our support, we are going to be withholding our support from those people who do not take a stand around the basic issues that we believe are vital to the survival of poor people and that is for an adequate minimum income of at least $5,500 for a family of four.

We think this is the only true commitment to end hunger in this country. We think that the country has to make this commitment. We think that the commitment has to be through an adequate income guarantee system for every person in the United States.

I think that many people are going to be fooled by the Nixon proposals. I think that many people are going to think that a proposal that offers $1,600 income is a proposal that deals with the welfare problem. I want to say that this proposal we regard as a proposal simply to help people live like a dog.

The Nixon welfare proposals provide something like 19 cents per meal per person as an average money payment for people in the United States. You can extrapolate that and see what that would mean with other proposals that would suggest that the benefits be higher by $1,000 or $1,500 beyond the Nixon proposal.

These are totally inadequate proposals because they do not meet basic human needs. Poor people live in a society of continuing injustice. We have a situation where case workers harass recipients, where there is the frustration of people having to beg for emergency food orders to meet their basic needs at the end of the month.

We have a situation where working people, thousands and thousands of working people, do not have adequate income from wages to meet their basic needs, and we feel that for those as well as for the people on welfare, as well as the millions of people who have no jobs and are denied welfare because of illegal application, of requirements, because of the categorical and arbitrary nature of welfare requirements at the time, requirements that in many senses would be continued under the Nixon proposals, we feel that the continuation of such practices are something that are going to continue to a deep division in America.

We think that as long as there is this terrible income gap between the people who have and the people who have not, that our Nation is always going to be divided and that we think until this Nation can bring itself and can speedily bring itself to the point of recognizing the need for a guaranteed adequate income for every citizen that we are going to have tension, that we are going to have conflict, that we are going to have disorders.

We think that the time is now for action. The time is now for people to rally while the debate is fresh around welfare reform proposals. The time is now to act and to speak out and to move in behalf of an adequate income proposal lest we get an inadequate Nixon "illfare" proposal and the country return for many years to sleep on the feeling that the problems of poor people are solved.

Thank you.

(The prepared statement of Dr. Wiley follows:)

PREPARED STATEMENT OF GEORGE A. WILEY, EXECUTIVE DIRECTOR, NATIONAL WELFARE RIGHTS ORGANIZATION, ACCOMPANIED BY MRS. JEANETTE WASHINGTON, MEMBER OF THE EXECUTIVE COMMITTEE

Today, once again, as we have in past years, representatives of the National Welfare Rights Organization[1] come before a congressional committee to make the case for the poor.

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[1] The National Welfare Rights Organization is a grassroots, poor people's organization with 75,000 members in 300 local groups throughout the United States.

I understand that you are interested and anxious to end hunger in this country. Let me then begin by saying that action towards ending hunger had better come soon.

Just how long can poor people stand on the outside of affluent America and be told to quietly watch and wait, to be still while their children starve?

Poor people see the affluence around them. Poor people see the millions and billions being spent on everything from moon rockets to Merry Widow uniforms for the White House guards. How can the poor relate to a country where newspapers spend pages describing Mrs. Pompidou's hemlines while children in Wisconsin are without winter coats?

Government officials and average citizens alike are allegedly concerned about the fragmentation and polarization of our country. The biggest gap, gentlemen, is not generational, political or even racial. The biggest gap is between the poor and the non-poor.

Last month, in Jackson, Miss., 15 welfare recipients were arrested. They had participated in a sit-in at the local welfare office, part of a group of some 200 recipients protesting a week-long delay in welfare checks. The delay caused recipients to miss their rent and utility payments. Hundreds were evicted. Thousands more had their gas and electric shut off.

The meager welfare payments to Mississippi recipients left them with no surplus to tide them through the week when the checks did come. And the state welfare department refused to inform landlords and utility companies that bills could not be paid because the checks had not been sent out. The reason for the delay was minor—the department was switching to computerized payments.

How can those recipients in Mississippi relate to a country whose technology can put a man on the moon—but which refuses to use that technology to get those drastically needed checks out on time.

It is quickly apparent why poor people find it hard to believe that this government wants to help them—hard to believe that the United States wants to end hunger. And it gets harder every day.

If we do not want American society to permanently fragment into two distinct societies, then the promises made to the poor must soon be kept.

Look at the history. The United States government fought a War on Poverty. The poor lost. Both moderate and liberal candidates for public office continually promise to help the poor. No matter which candidate wins, the poor person always loses. The only program that poor people will believe in, that poor people want, is a program of action and adequacy.

Hunger is not an academic problem. Sufficient time has been spent preparing endless studies, reports, conferences, statements, promises, plans and programs.

An adequate income is the only answer—not the half solutions of pushing mothers out of their homes for jobs that are demeaning and ill-paid—not the half-solutions of inadequate funds for insufficient food and a way of life that is in its horror un-American.

Figures taken from reports from the Bureau of Labor Statistics show that a family of four needs $5500 annually to live adequately—not well, merely adequately. And until that family receives that $5500, the basic problems remain.

Free food stamps, a national hunger emergency as recommended by the recent White House Conference—these will certainly help to end hunger on a stop-gap basis.

But the second conference recommendation shows the only way to a permanent end to hunger, the only way to integrate the poor into our society and the only way to stop the class polarization that is occuring in our country. That solution is $5500 a year.

There will be a permanent end to hunger in this country when, and only when all people are given the same chance. That means a proper education, a decent home, clothes for school—and enough food so that worrying about being hungry doesn't keep a child preoccupied through the day and awake at night.

This country must make a true commitment to ending hunger. The only realistic approach is making a guaranteed adequate income a national goal—and then making that adequate income a national reality.

There are working people in this country who are entitled, even under the present inadequate system, to welfare benefits. We are helping them get those benefits. There are millions more who should receive wage supplements. We plan to see a program enacted that makes those supplements possible.

We see an adequate welfare plan as the only means of integrating the disinherited into the American way of life—as a means of allowing all citizens their very right to live.

Who can participate in government when he is facing a day-to-day fight for survival?

That is no exaggeration. Let me remind you that the inadequate Nixon plan allows only 19 cents a meal in many states. A recipient is still forced to feed her family mainly rice, beans, peanut butter and greens while trying to scrounge together the money for toothpaste so her children's teeth don't rot as early as her's did.

I do not believe that the American people, once presented with the true facts of how little the present proposed legislation really does to help people can see it as a landmark in aiding the poor. An inadequate plan just doesn't solve any problems.

Either the government is concerned with really helping people to live a decent life—or it is content to allow millions of people to go through years of suffering and want. That is the simple correct set of alternatives. Passing programs that are inadequate just to give a family a few more cents a day is cruel; telling the middle class that these proposals will really help people is more than dishonest.

Poor people live in a society of continuing injustice. The case workers whose case loads are so heavy mothers are forced to wait six and eight hours to get a simple form. The continuing frustration of begging for emergency food orders, in states where recipients consider themselves lucky to be allowed emergency food orders. The bureaucracy that frequently loses a letter requesting a special diet allowance for a child, thus sending the mother back on the rounds of doctor's visits and trips to the welfare office.

To be poor in this country is not to live in "another America"—how could any America treat people with the injustice and disdain that poor people suffer every day.

So I come here to tell you that poor people are waiting, waiting for you to fulfill your promises. None of the present plans proposed in Congress end that wait. All are inadequate. All are efforts which do not confront the problem realistically or with justice.

Poor people have been lied to so many times, though, that no longer do we merely wait. We are organized. And we intend to keep on organizing and protesting inadequate solutions until our plan—a guaranteed adequate income for all Americans—becomes a reality.

Senator McGovern. Thank you very much, Dr. Wiley.

Senator Harris, we appreciate your staying on to hear Dr. Wiley and Mrs. Washington.

Dr. Wiley, it seems to me that there is really a question that you and I and other people who are concerned about this problem must answer and that is this:

Let us grant, to begin with, that the figure that you suggest as an adequate income, somewhere around $5,500 a year, and I think there is support for that estimate in the Bureau of Labor Statistics concerning what it costs to support a family of four in this inflated economy of ours, let us suppose that that is an agreed-upon objective and that people in the Congress and across the country who are concerned about this problem would like to move toward that goal.

Mr. Wiley. I can't allow that supposition because that supposition does not exist.

I think one of the basic problems we have to do immediately is that we have to rally support for that supposition. Is it a supposition or is it a fact that people need some kind of adequate income around $5,500. I think that there are very few people who have been speaking out and who have been saying that that is what is necessary.

Senator McGovern. That brings me to my question.

What do you think is the program that is best designed to get the political support that is needed? In other words, as you yourself have said, it is all well and good to have a national conference and have the delegates agree on a figure, $5,500. That is the rhetoric. Now, the question is, how do you put together the political strategy or the public understanding, the congressional understanding, that will make that more than rhetoric?

Mr. **Wiley**. To me, the first thing you have to do is that you have to recognize that as the need, you have to recognize that as the goal. You have to initiate a fight to reach that goal. It seems to me until the leadership of the country recognizes the need for a struggle toward that goal, that we are not going to have any motion toward that. To me, and I think to all of us in the welfare rights organization, we have felt that the question of whose plan is the least important question to the question of getting an adequate income.

We have said that adequate income, some way of getting adequate income to people, is the basic necessity. We feel that the decision about what plan and what strategy are in a sense political decisions that have to be assessed and have to be made.

I could make it seem that most every plan could be fitted to make an adequate proposal out of it. The basic thing you have to do with President Nixon's proposal is to raise the benefit level for family assistance to $5,500 and broaden the coverage to every citizen and not simply families with children, and then you would have the framework for a plan that deals with the basic problem of poverty, hunger, and malnutrition.

You could take Senator Harris's proposal and instead of talking about a proposal that goes in 3 years to the poverty, talk about a proposal that goes to an adequate income level in the earliest possible time. I don't think we need 3 years. I don't think we need 3 years to reach that point.

The amount of money necessary is less than the amount of money we spend on defense, is about equivalent to the amount of money we are spending on the war in Vietnam, is far less than the aggregate of tax exemption and tax loopholes through which we subsidize businesses and middle- and upper-class people in this country.

There is plenty of money, in short, to deal with the basic problem of poverty. What there is not is the political commitment and the drive on the part of people and political leadership to reach that goal and that seems to me to be the basic thing we need.

Senator **McGovern**. So the thrust of your testimony is that you are not particularly wedded to any one formula. The key fact is to center on adequate income and you believe that to be $5,500 or somewhere in that area. This is your goal and what you are calling on this committee to do is to accept that adequate income level, defined as $5,500 a year, and then find some kind of legislative formula that will achieve that with a measure of dignity to the recipient.

Is that a fair statement of your position?

Mr. **Wiley**. Yes; it is.

Senator **McGovern**. Your chief critique, then, of the administration's proposal and of others is that they simply do not measure up to the adequate income criteria?

Mr. **Wiley**. That is right. They do not provide adequate income and they do not provide, in my opinion, any of the proposals I have seen, they don't provide a mechanism for achieving adequate income. They do not provide the possibility or the likelihood that we are going to reach an adequate income level.

Senator McGovern. Let me ask you this, Dr. Wiley.

While I have not introduced a legislative proposal, I think you are generally familiar with the rough outline of the proposal we have been thinking about, the children's allowance, guaranteed public service job to those unable to find employment in the private sector, lifting the social security guarantees for the elderly and disabled to an adequate level and then covering in people who are not covered by those three provisions with direct assistance.

Do you believe that that formula, once it were targeted at an adequate income level that you referred to, would be one possible alternative that would be generally acceptable?

Mr. Wiley. No.

Senator McGovern. Why is that?

Mr. Wiley. The reason is that at the heart of our proposal is getting an adequate income for every citizen. I do not see a mechanism in those sets of proposals for achieving that end.

I think that the proposals are fine proposals and are perhaps supplementary to achieving adequate income. That is to say, they would help some people who are working or some people who are old, whose benefits were inadequate, or they would help some—for example, the children's allowance tends to help families of working poor people who are working but whose income does not measure up for one reason or another and the children's allowance tends to supplement those people and therefore get them to a more adequate income.

An example. A family of four with two children. If they got a $50 a month children's allowance, that would be $1,200 a year. Our sense of that is that if they had a net income, earned income, of, say, $4,300 a year, then the $1,200 would bring them to $5,500 and they would be in good shape.

If, however, they had no income, the $1,200 would bring them to $1,200 and they would have to turn to welfare or some form of public assistance, some other form of public assistance, for help.

What we say is that the children's allowance is a strategy, much like social security, talking about full employment and wages our strategies in themselves are valid and valuable but the basic thing at the heart of the matter is seeing to it that there are no cracks and that there is a floor that insures that every family will get a basic minimum income and the plan that does that, and I think your proposal if it incorporated a $5,500 guaranteed income for everybody who was left out and did not have an adequate income from children's allowance, social security of whatever else, then there would be a first-rate set of proposals.

Senator McGovern. If the fourth section of our bill were adequately stretched, it would then become more compatible with what you are saying.

Mr. Wiley. If the fourth section were an adequate income proposal rather than would hint to that—I hope the debate is still open——

Senator McGovern. The debate is wide open.

Mr. Wiley. Rather than what is hinted at as a categorical welfare program, which to me would insure the isolation, would insure the inadequacy for the people in situations such as Mrs. Washington and many others, particularly the women and children on welfare, that I think it would insure an adequate program. I think that there is no reason to think that a welfare program just because it is small, just because it applies to a small number of people, is likely to be an adequate program.

So we say this has to be a guaranteed floor that includes everybody in it and assures everybody of an adequate income level. Then I think family assistance, full employment, higher wages, better social security, all of those things are important antipoverty measures, but the basic thing of adequate income is the thing on which we must maintain our central focus.

Senator McGovern. Let me just put it to you this way, Dr. Wiley.

One of the reasons why I thought that the first three sections of my proposal were important is that they would reduce the very problem that you have referred to here, which is the isolation of the poor. Those first three provisions of the bill apply to everyone, rich and poor alike. Everybody would qualify for a children's allowance. Everyone who wants to work in public service employment, who doesn't have a job in private employment, would be given a useful job, something the country needs. Everyone would automatically qualify for the improved social security protection.

It was precisely to reduce the image of a welfare poor people's program that led me to structure this proposal as I did.

I just wanted to make that observation.

Mr. Wiley. I think we understand the strategy. I think we disagree. If that turns out to be your strategy, which I hope it is not, I think it would be a basic mistake to pursue that strategy as the main-line attack on the problem because I think without a guaranteed adequate income floor so that nobody could slip through the crack, of what you have to admit is a categorical program, you have four major categories of programs that would deal with these problems and there could be cracks in those programs.

If you say full employment, you may be disabled, you may be unable to work. You may not qualify for social security for whatever reason. You may not qualify for a children's allowance. Maybe you don't have any children. So there is a crack for you to slip through.

Then your reliance must be on some kind of fourth alternative. We say the fourth alternative must be something that guarantees for everybody that they are going to have the right to live, they are going to have food and clothing and shelter at an adequate level and that means an adequate income.

Senator McGovern. Well, Dr. Wiley, I want you to know that you are giving me pause, as you have for a long time, for some serious though on this matter.

What you say here is presented persuasively and convincingly as it always is. I want you to know that your proposal is going to be very, very seriously evaluated by me and I am sure will be by other members of this committee.

We hope that we can get together on a formula where people concerned about this problem can stand together. If that happens, you are going to deserve a great deal of credit.

We do want to thank you and Mrs. Washington for appearing here today.

Mr. WILEY. Let me say as a final thing that I think all of us in the Welfare Rights Organization have looked to you, Senator McGovern, for leadership in this area. We have admired the things you have done on hunger, malnutrition, your crusading efforts in these areas.

We hope that you will be a leader in this program of directly helping poor people on issues as poor people see it.

We think that an adequate income is really the basic thrust of something that must be done.

We are looking forward to having our executive committee meet with you in the near future.

Senator McGOVERN. I would like very much to do that.

Mr. WILEY. If such a meeting can be arranged, it can lead to a profitable program.

Senator McGOVERN. Thank you so much, Dr. Wiley and Mrs. Washington.

We have as our next witness Mr. Robert Harris, who served as Executive Director of the President's Commission on Income Maintenance Programs.

If your schedule would permit, we would like to invite you to wait and hear this testimony.

Mr. WILEY. We will do that.

Senator McGOVERN. Mr. Harris.

Mr. Harris, we are pleased to welcome you as the second Harris who has testified this morning before this Committee as the Executive Director of the President's Commission on Income Maintenance Programs.

STATEMENT OF ROBERT HARRIS, EXECUTIVE DIRECTOR, COMMISSION ON INCOME MAINTENANCE PROGRAMS

Mr. HARRIS. Thank you.

It is a pleasure to appear before this committee to present my views on nutrition and the income gap. From my observations among low-income families, I have become convinced that the best way of improving their diets is through increases in their incomes. And since I am not an expert on nutrition, I will focus on ways of filling the income gap.

ADEQUATELY DOCUMENTED

It is not necessary at this stage in the public debate on poverty, hunger, nutrition, and the like, to present statistics on the poor and to demonstrate their existence. This committee, through its hearings and studies, has adequately documented that a large segment of the American public is in extreme need. The President's Commission on Income Maintenance Programs—which I served for 2 years—gathered and presented similar evidence. Other bodies—public and private—have also documented the case.

Nor should it be necessary to refute the oft-held view that the poor are poor because they have chosen a life of misery rather than work, or because they don't know better than to remain poor. As George Bernard Shaw noted, "It's bad enough being poor without being damned for it." Most of the poor are poor because they have no choice. If they are to become nonpoor, they must be helped by a society that is no longer willing to tolerate the social and economic consequences of their poverty. This assistance must come in the form of a new program that provides basic income support to all in need in an equitable, efficient, and humane way.

The factual basis for these assertions is presented at great length in the Report of the President's Commission on Income Maintenance Programs which was issued last November. I will not repeat it here. Instead, I will comment on what I think a good income maintenance program should look like and what we can expect such a program to do. I will then comment briefly on specific program proposals which have recently been offered the Congress.

FEATURES OF AN INCOME MAINTENANCE PROGRAM

A good income maintenance system will put a floor under the incomes of all in need to insure that some minimum of consumption opportunities is available to all. This income floor should be designed in a manner that preserves financial incentives to work. This is all that such a system should do.

An income assistance program should not try to influence persons to be more moral or less moral, or to be better or worse persons. Attempts in this direction will not succeed and will reduce the effectiveness and efficiency of the basic income assistance design. In general, subjective features that allow coercive administrative practices should be avoided.

The first criteria—providing financial work incentives—is desirable for any one of three reasons:

(1) We need the output produced by most members of the labor force and do not wish people to quit work;

(2) The budget costs of any program will be greater if people work less; and

(3) It is a common view that work is socially and psychologically useful for people who are able to work.

The second criteria—not using financial incentives to try to induce changes in social behavior—is desirable primarily because such incentives as have been applied in the past have not affected behavior in the ways desired, but have harmed individuals.

For example, family size limitations on AFDC payments have been "justified" on the basis of discouraging large families by welfare mothers. In fact, they have discriminated against existing children in large families while not affecting birth rates. So they really did not have the good effect that they were designed to have but they have had a very serious deleterious effect on the people involved.

The third criteria—of requiring objective administration—is particularly important. In the area of providing basic income support, the rule of law should be paramount rather than the rule of persons. An individual's rights to benefits should be clearly and objectively specified by lawmakers rather than administrators. We do not let the IRS agent exercise subjective judgment in determining the ability to pay taxes of individuals. We should not let the line administrator of a cash transfer program exercise subjective judgment in determining the amount of basic income support that an individual needs. The amount of tax I might pay or the amount of welfare I might receive is too important to me to leave to the subjective judgment of anyone but Solomon. If the amount I must pay (or may receive) is clearly specified in law, I may be unhappy with it, and I may think the law is bad, but I do not have to bow to the discretion of a low-level bureaucrat engaged in administering the program.

A fourth criteria for designing a new income maintenance system might be the full replacement of the existing categorical public assistance system as soon as possible. This system fares badly when evaluated by the criteria cited above. It has other defects that I will not enumerate here. The case for this replacement has been made publicly many times—most recently by President Nixon.

In short, I feel that an income maintenance system should perform one function well: it should change incomes. Inducing changes in behavior, morals, family size, social functioning, and the like, falls in the province of other programs.

Attempting to attach features to achieve these other goals to basic income support programs has failed in the past, and has also resulted in doing a poor job of supporting incomes.

INCOME SUPPLEMENT PROGRAMS

Given rough agreement, on the above basic requirements for an income maintenance system, it seems necessary to lay out the specifics of a plan that stands up well upon evaluation. This is not difficult to do since many proposals have been made in recent years that fall in the same general family of plans.

Characteristic of all such plans is that they guarantee a certain income level to families with no income, varying by family size. As a family's income rises, the supplement from the Government decreases, but only by a fraction of the increase in income. That is, the plans allow recipients to build upon a guarantee by adding income from other sources which is only partly "taxed" away. The plans are generally called negative income taxes.

These plans provide a financial incentive to work; those who work will always have more income than those who do not. This results because of the fractional reduction of benefits as earnings rise. Tailoring benefits to income and family size alone avoids attempting to induce other social or behavorial changes through the threat of benefit reduction. And the simple schedule of benefit rights avoids the application of a good deal of administrative discretion.

More specifically, we could provide a support level of $2,400 for a family of four with no other source of income. If that support is reduced by 50 cents for each $1 of income received—a 50 percent rate of benefit reduction—a family earning $1,000 would receive not only its earnings of $1,000, but $1,900 in additional income support.

This plan would provide some income supplement to all families with incomes below $4,800. Such a plan would have Federal direct costs of some $7 billion in 1971, and would make payments to 37 million persons living in 10.5 million households. Over 70 percent of this cost reflects payments to families with children. This is the basic program design recommended by the President's Commission on Income Maintenance Programs (Poverty Amid Plenty: The American Paradox, Nov. 1969).

Most proposals of this nature are universal: that is, they cover the entire needy population. However, it is possible to have such a program only for certain groups in the population such as families with children. The administration's family assistance program, being considered by Congress, is such a plan.

This plan would provide a basic income of $1,600 to a family of four with not other income, and supplement incomes up to $3,920. It is an improvement over current welfare programs only in the sense that the category of families with children is a more sensible category than the category of broken families with children now aided under AFDC.

It includes many of the "working poor"—those who have been excluded from AFDC benefits because the family is headed by a workingman, but his income is below the poverty level. The "working poor" comprise some 40 percent of poor families headed by nonaged persons. But it retains the disadvantage inherent in using categories—many of the very needy poor are excluded. Single persons and childless couples receive no aid regardless of their need.

In addition, the program suffers from an attempt to apply administrative discretion in areas surrounding work decisions. Instead of relying on financial incentives and the free market, a bureaucratic system would be set up to determine who should and should not work. This has the potential for great abuse, and the benefits are doubtful. I doubt that it can force one true malingerer into the labor force.

The President's Commission on Income Maintenance Programs recommended a $2,400 program level as a starting point, and also recommended that it be increased to a more adequate level as soon as possible. It is difficult to launch an expensive new program at an adequate level. To some degree, the starting level is arbitrary. A program even at the $1,600 level recommended by the administration would do much good. Millions of American live on incomes below even this level.

One crucial fact, however, leads me to think that a program that is going to replace welfare should start at a level of at least $2,000 for a family of four. One objective of adopting a new national program is to replace the Federal-State public assistance system, with all of its flaws and its great State-to-State variation, with a uniform and equitable system. In the process of making this transition, no individual who receives more than the basic Federal floor now should suffer a reduction in income. This requires that States which have relatively high welfare benefits supplement the Federal payment for current recipients until such time as the basic benefits under the Federal program reach adequacy. If the basic Federal payment is set at $2,000 or above, every State could make supplementary AFDC payments to current recipients without any additional Federal assistance and save money into the bargain. Thus, the Federal Government could end its participation in categorical public assistance programs and be assured that States could easily afford to supplement these payments for current welfare recipients. And, of course, new recipients in the Federal program would require on State supplementation.

Alternatively, States that have relatively high benefits under AFDC, could with savings raise those benefits in a supplementary program if the basic Federal floor came in at $2,000 or above. If the Federal floor comes in below that level, then the States won't have the money to do it. At a level of $1,600 as proposed, many States would lose money. Therefore, the President's proposal continues to assist States in the traditional programs which everyone agrees have failed. Thus, there is a minimum level for a new Federal program that is required if the program is to be a substitute for existing public assistance rather than an addition to the old set of programs.

While the initial income level to be supported may be, to some extent, arbitrary, the rate of reduction for other income is not. Available evidence indicates that the rate by which payments are reduced for other income may have significant effects on work incentives. While we have very little empirical evidence, there is general agreement that an implicit tax rate of 100 percent on earnings has the predictable effect of reducing work effort. Nobody wants to work for nothing—be they rich or poor. Thus, some lower rate is necessary. However, the lower the rate, the higher the cost of the program—since more persons become eligible.

The consensus of expert opinion is that reduction rates of greater than 50 percent of earnings should be avoided. Most serious proposals do not go above a 50-percent reduction rate for this reason. Both the President's proposal and the plan recommended by the President's Commission on Income Maintenance Programs adopted a 50-percent rate.

Senator McGovern. In that connection, on that 50-percent rate on the work incentive effort, isn't the practical effect of that to tax the earnings of poor people at the 50-percent level?

When you get right down to it, what is the justification for that? Is it not purely designed to reduce the cost of the program rather than to arrive at a substantial fair way of dealing with the problems of the working poor?

Mr. Harris. No, sir; I don't think that is the case.

There is a 50-percent tax only if there is a significant payment made by the Government. For example, if the $2,400 level is made to a family of four without any tax on their earnings, without any recoupment, the cost of such a program is extremely prohibitive. There is no way to make that kind of expenditures without having some mechanism that reduces the benefits that we pay people as their earnings rise.

We don't want to pay $2,400 to a family with $100,000 of income for many reasons, one of which is that we can't do it; we cannot finance a program without taxing somebody.

Senator McGovern. I asked Dr. Wiley to stay on to hear your testimony. Now, he has proposed and the White House Conference on Nutrition and Health proposed that $5,500 basis as the adequate income for a family of four. I take it that your feeling about that would center around the cost of the program.

What would you estimate would be the cost of the program on that level?

Mr. Harris. It depends on how you structure the program. If you structure it with a $5,500 guarantee and a 50-percent tax rate on earnings so they supplement all incomes up to $11,000, the costs are extremely high. I have estimated in the neighborhood of $70 billion-plus. If you try to reduce that cost the only way to do it is to have a higher tax rate, is to not allow people to keep 50 percent of their earnings. That reduces the direct cost that you would calculate from the existing income distribution but there probably would be some negative work incentive effects.

As that tax rate rises from 50 percent to 70 percent to 100 percent, the returns from working get lower for people who are now working. Most of the recipients would already be working people, and we don't know what the work incentives effect would be of very high rates, we can't calculate the cost.

Senator McGovern. Is that work incentive feature a part of that estimated cost you are indicating?

Mr. Harris. Yes. It is a very considerable part. I don't recall the exact figure but if you did not have that work incentive feature, if you had a flat guaranteed income at $5,500 for a family of four, just taking everybody and bringing their existing income up to the $5,500 level, the calculated direct cost of that would be something like $20 billion, as I recall, but that would not take into account any reduced work on the part of people whose earnings are below $5,500. If you just brought them up to $5,500 you would in effect be imposing a 100-percent tax on their earnings because they would have a dollar-for-dollar reduction in the $5,500 benefit for their earnings. The work incentive effect of that could be very serious and would add considerably to the cost, but we don't know the exact magnitude or even the order of magnitude.

Senator McGovern. You may finish your statement.

Mr. Harris. I was essentially finished with my prepared statement. I will be glad to answer any other questions.

Senator McGovern. Let me ask you this, Mr. Harris.

How would you structure this program? How would you relate the income maintenance feature with food stamps? Would you phase out the food program?

Mr. Harris. I would like to see the food programs phased out. I think it has to be approached in several steps. Given our existing inadequate system of income maintenance, I think we probably should have a better food stamp program because people don't have enough money to buy food if we could get it immediately. The bill proposed by members of this committee, for example, would be a big improvement over the current system of income maintenance.

It would also have the effect of automatically diminishing as cash income support from other sources rose because the amount of food stamp benefits is related to cash income. I think there is a meshing together. If you could then enact a good income conditional food stamp program, any changes you make in income support would automatically displace that program.

If you could enact a considerably higher level cash income support program than the President is talking about or even than the Heineman Commission proposed, I would not see any need for food programs. I would like to see every dollar that goes into food be put into cash initially.

Senator McGovern. What Mayor Lindsay and Mayor Flaherty raised yesterday to the President's proposal is that it still leaves State administration as a very real option, as inevitable consequence in many States.

What is your comment in that respect on the administration's proposal as it now stands?

Mr. Harris. I think there are two aspects of that that are important and only one of them gets focused on frequently.

In the case of the several million, I think about 6 million recipients of current AFDC, in any State where there is an AFDC standard above the level of $1,600 there has to be some additional mechanism for supplementing the Federal payment to receive their current level. Under the administration bill, it is possible for the States to contract with the Federal Government to administer that supplementary program but the discretion for that, I believe, was left to the States. It also allowed the Federal Government to contract with the States. Now, that is for the 6 million recipients of current AFDC.

The other side of this is that there are 14 million, I believe, new recipients who are not now receiving AFDC and would not be receiving the supplementation under State programs and would not have to deal with any State administration. This is also a point where the magnitude of the problem decreases as the level of the Federal base rises. As you rise from $1,600 to $2,400 level, the number of States whose welfare standards exceed the Federal program drops from 40 to about 20.

Senator McGovern. Mr. Harris, to go back one moment to this problem of how this program is going to be financed, I am again bothered by what seems to me to be an effort to place a major part of the cost on the working poor. I understand this work incentive feature that both the President and you are concerned about, how you get some degree of benefits into the hands of people who are working.

Presumably under Dr. Wiley's proposal that might go up to, say, the $10,000 income level. There would still be some incentive payment there. Instead of setting that rate of 50 percent, in other words, taking back 50 percent of the benefits from people who are working have you given consideration to the possibility of shifting more of that load to higher income brackets?

I know somebody has to pay for this program. Supposing we had a universal allowance of $3,600 a year along the lines that Senator Harris was talking about here earlier this morning, would you have any idea of how much an increase there might to be in incomes above, let us say, $15,000 a year on up to finance that kind of program?

Mr. Harris. Offhand, I don't; but I think it would be quite astronomical. If I could use a different example to show the order of magnitude and put it in the context of the children's allowance versus the President's program? A children's allowance that paid $50 per month per child would have an outflow of funds of approximately $40 billion that would have to be financed, some of that to be financed by eliminating exemptions and making the benefits taxable.

Senator McGovern. That would be a rather sizable amount.

Mr. Harris. That gets the added cost down to $25 or $27 billion. That $25 to $27 billion would have to be financed out of higher taxes which are going to be paid by the working poor.

I think the fundamental difference between the negative income tax approach and the children's allowance approach, we are dealing just with families of children, is not in the ultimate distribution of the net benefits, it is in the mechanism by which you finance them. In one case you levy the income conditioning of the benefits before you pay the benefits. In the other case, you pay benefits to everybody but you tax it back.

The net gain by income class will be the same because you have to finance the same amount. You have to collect back from the people above your cutoff level the amount necessary to pay the people below it. Either way.

Senator McGovern. Mr. Harris, what you say is not true. Financing of the children's allowance would automatically fall heaviest on the upper income groups because of our progressive tax structure.

Mr. Harris. I did not mean to imply it would fall heaviest on the working poor. Depending on how you finance it, it would fall heaviest on the working people in the middle classes because that is where the burden of taxes lies. I think there are a lot of problems in the tax system as well in terms of the richest members of the society having access to all sorts of ways of not paying taxes.

Senator McGovern. It seems to me there is another problem that we are going to be confronted with in trying to arrive at some kind of a formula that includes this work incentive feature, and that is the problem of the millions of people who are going to be involved.

Won't you end up with a program where 75 or 80 million Americans are involved under welfare?

Mr. Harris. Under the President's family assistance plan, there will be 20 million. Under the plan recommended by the Heineman Commission, I believe it would be 37 million. Under a plan and guarantee at the poverty level, you would have probably 90 million, as I recall.

Senator McGovern. Ninety million?

Mr. Harris. If you start at the poverty level and supplemented incomes up to twice the poverty level.

Senator McGovern. That would be $3,600.

Mr. Harris. That would be roughly $3,600.

Senator McGovern. Your estimate is that if you invoke that program and then provide work incentives covering families up to twice that level that you would have 90 million people involved in drawing family assistance payments?

Mr. Harris. That is right.

Excuse me. It would be 75 million persons. It would be 21 million households. It would be 21 million units filing returns, which is a large number, but is not administratively feasible with our technological devices, the same ones we use for administering both the positive income tax and veterans' programs and all other programs.

Senator McGovern. In effect, though, Mr. Harris, wouldn't you really be ending up with a welfare-type program embracing some 75 to 90 million people?

Mr. Harris. Yes.

Senator McGovern. Pardon?

Mr. Harris. Yes.

Senator McGovern. Do you think that is a politically acceptable situation for the Nation? Do you think that you could actually put that kind of program into operation in this country and sustain public support for it?

Mr. Harris. I think you could; yes. Once it were in operation, I think it would be like the Social Security System. At the time of its early discussion it was viewed as unworkable and politically unviable for the long run.

Senator McGovern. Now, Dr. Wiley has testified, I think with some backup from the Bureau of Labor Statistics and others that $3,600 will not support a family of four.

Mr. Harris. I agree.

Senator McGovern. Then you have to move up in the direction of $5,500.

If that were the case, if you take the $5,500 figure and then maintain the same work incentive feature, you are telling us, I think, that that would cost somewhere around $70 billion.

Mr. Harris. Yes, sir.

Senator McGovern. How many people do you think would be involved in that kind of program?

Mr. Harris. That would involve about 150 million people, roughly.

Senator McGovern. So that all but 50 million of the American people would be encompassed in that program in one way or another.

Mr. Harris. That is correct.

I would not advocate a program at that level. I would advocate a set of programs that would be designed at getting all Americans up to that level or higher, if possible. I think there is a limit to the degree to which we can rely on cash transfer programs to get people up to any level. I think the role of the cash transfer program is to provide a floor, a bare floor below which nobody should fall.

I think the responsibility of other programs is to make sure that almost everybody, if possible, can have an opportunity to get well above that floor.

Senator McGovern. Would you include in that formula the possibility of public service employment for those who can't find adequate employment in the private sector?

Mr. Harris. I think we need programs which encourage full employment, the usual platitude, which we do not have now. In addition, while I think we don't know enough to mount a full-scale public employment program tomorrow, it should very clearly be a future direction of policy development. We need to develop programs that are going to create jobs for people who can't find employment in the private sector.

Senator McGovern. Thank you very much, Mr. Harris. We appreciate your testimony.

And, Dr. Wiley, we want to thank you for staying to hear the rest of the testimony.

The committee will be adjourned.

(Whereupon at 12 noon, the select committee recessed, to reconvene at 10 a.m., Friday, March 6, 1970.)

NUTRITION AND HUMAN NEEDS

FRIDAY, MARCH 6, 1970

U.S. Senate,
Select Committee on Nutrition and Human Needs,
Washington, D.C.

The committee met at 10:20 a.m., pursuant to recess, in room G-308, New Senate Office Building, Senator George S. McGovern (chairman of the committee) presiding.

Present: Senators McGovern, Javits, Percy, and Dole.

Also present: Peter Stavrianos, professional staff member, and Clarence V. McKee, professional staff member for the minority.

OPENING STATEMENT BY HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA, CHAIRMAN OF THE COMMITTEE

Senator McGovern. Our witness today is the Under Secretary of the Department of Health, Education, and Welfare, the Honorable John Veneman. He is accompanied by Mr. Robert Patricelli who is well known to the members of this committee. He is now the Deputy Assistant Secretary for Interdepartmental Affairs, Department of Health, Education, and Welfare.

Mr. Secretary, we are happy to welcome you to the committee.

My understanding is that you have a rather lengthy prepared statement that will be available shortly.

What I would suggest, in view of our conversation, Mr. Secretary, is that you summarize the highlights and points you most want to make to the committee. That will give the Senators an opportunity to question you on those aspects that we are most concerned about.

Mr. Veneman. Very good, Mr. Chairman.

Senator Dole. Mr. Chairman.

Senator McGovern. Senator Dole.

Senator Dole. Before the Secretary begins, I would like to insert a story from today's New York Times by Warren Weaver, concerning action by the House Ways and Means Committee on the welfare reform program.

Senator McGovern. Without objection, the story will be made a part of the record.

(The article referred to follows:)

[From the New York Times, Mar. 6, 1970]

HOUSE UNIT VOTES WELFARE REFORM FAVORED BY NIXON—ONLY 3 DEMOCRATS OPPOSE MEASURE TO GUARANTEE A FAMILY INCOME FLOOR

(By Warren Weaver, Jr.)

WASHINGTON, March 5.—President Nixon's proposal to guarantee every American family a minimum income supplied in whole or part by the Government was overwhelmingly approved today by the House Ways and Means Committee.

The vote was 21 to 3, an auspicious beginning for a controversial program that is now expected to win easy approval on the House floor later this month. All Republicans on the committee supported the bill; the three negative were cast by Democrats—Representatives Al Ullman of Oregon, Phil M. Landrum of Georgia and Omar Burleson of Texas.

It was probably the most significant Congressional victory the Nixon Administration has won in its 14 months in office. Last October, when the welfare bill was introduced, the measure was given only a small chance of ever emerging from Committee.

MILLS MAY MANAGE BILL

Today, it sailed out effortlessly, with the committee chairman, Wilbur D. Mills of Arkansas, once regarded as a stubborn opponent, announcing that he would co-sponsor the measure and would probably serve as its floor manager.

The Family Assistance Plan, which is the heart of the new welfare program, would guarantee a basic income to every family in the country, even if it included a wage earner. The basic income for a couple with two children would be $1,600.

The plan contains a requirement designed to encourage recipients to get off the welfare rolls. To receive benefits, the head of the aided household would be required to register for employment or job training.

NIXON MAKES STATEMENT

Benefits would decrease as a family's earnings increased and would be eliminated altogether when earnings reached $3,920 a year.

Committee approval, usually a preliminary event only modestly observed, was celebrated today as though it were final passage. President Nixon issued a statement hailing the move. The White House held a briefing on the bill. Administration officials were openly jubilant.

"Not every Congress," Mr. Nixon declared, "has the opportunity to enact a fundamental reform of our basic institutions. The 91st Congress now has that historic opportunity."

Senate prospects for the Nixon welfare program are regarded as generally good. The principal danger there, from the Administration's viewpoint, is that liberals may increase the cost of the plan so much that the cost-conscious House will balk at any compromise.

Under present estimates, the Nixon welfare program in its first year of operation would cost about $4.4-billion more than current welfare spending. It would go into effect July 1, 1971.

Administration officials estimate that it will increase the number of those eligible for welfare assistance from the current figure of 1.7 million families, or 6.8 million persons, to 4.6 million families, or 22 million to 23 million persons.

THREE GROUPS MERGED

The legislation also consolidates into a single class the three adult welfare categories of aid to the aged, blind and disabled, and sets a new minimum income of $110 a month for individuals and $185 for couples. These figures were increased over the Nixon recommendation at Mr. Mills' request.

Although the Ways and Means Committee made a dozen changes in the Administration bill before reporting it today, the bill clearly remained the measure the President submitted four months ago, only rather gently adapted by Mr. Mills and his colleagues.

The welfare bill will go to the House floor under a "closed rule," an arrangement that prohibits amendments there and limits the members to voting for or against the measure. The vote will probably come before the end of the month.

The only adverse response to the welfare legislation came from the United States Chamber of Commerce which issued a statement today contending that the Family Assistance Plan was a first step toward a guaranteed annual income.

TAX INCREASE FEARED

The Chamber's board of directors voted to oppose the legislation on the ground that it would produce a tax increase or an inflationary deficit, or both, without solving the basic problems of welfare families.

A major provision of the welfare legislation would require the Federal Government to meet 30 percent of the cost if a state decided to raise the Family Assistance Plan floor above the national minimum.

Of the $4.4-billion additional cost, about $3-billion would be benefits to the poor, two-thirds of it to families with some earnings. About $600-million would finance day care centers for children, to encourage welfare mothers to work. The remaining $500-million would reimburse states for welfare spending.

EVOLUTION OF MILL'S STAND

California would realize the largest saving, about $173-million. Rough estimates indicate that New York would save $62.4-million, Massachusetts $41.2-million, Illinois $39.8-million and Pennsylvania $38.9-million.

The evolution of the support demonstrated today for the Nixon welfare reforms is, in large part, the story of Representative Mills and the slow, steady, campaign that was waged in closed sessions to win his neutrality and ultimately his active support.

There was an unusual measure of cooperation between the Democratic chairman and the Republican Administration throughout. In executive sessions of the committee, an official of the Department of Health, Education and Welfare was always present at Mr. Mill's invitation.

Introduced last October, the Welfare bill lay dormant as tax reform dominated Congressional concern for the rest of 1969. In January, Mr. Mills startled Administration officials by asking them what bill they would prefer to have the committee consider first. They chose welfare, and the chairman complied.

Throughout open hearings on the bill, Mr. Mills had never demonstrated any enthusiasm for the underlying principle of helping to support the working poor. As 1970 opened, liberal Democrats had not rallied behind the program and one of its authors said, "It looks bad."

BASIC TEAM STARTS WORK

Then the basic Administration team went to work. It consisted of Secretary of Labor George P. Shultz and an Assistant Secretary, Jerome M. Rosow; John G. Veneman, Under Secretary of Health, Education and Welfare, and an Assistant Secretary, Robert E. Patricelli.

Text of President Nixon's statement follows:

[From the New York Times, Mar. 6, 1970]

TEXT OF NIXON'S STATEMENT ON WELFARE

WASHINGTON, *March 5.—Following is the text of a statement by President Nixon today about action by the House Ways and Means Committe on his welfare program:*

The prompt and favorable action of the House Ways and Means Committee on the Administration's proposals for reforming our failing welfare system is most gratifying and encouraging.

I have great confidence in this legislation; I believe it provides the best method for reversing the trend toward greater welfare dependency. I am most happy that the Ways and Means Committee—after conducting its own searching investigation—has reached a similar conclusion.

Very few questions will come before this Congress that are more important than welfare reform. Without a basic conceptual change in our welfare system, we can expect only that welfare rolls will continue to grow and that costs will inevitably skyrocket. I hope that the members of both parties in both houses of the Congress will follow the lead of the Ways and Means Committee so that our nation can avoid that misfortune.

While the initial, "startup" costs of this program are higher than our present welfare costs, I am confident that we can afford this program and that it is consistent with a responsible fiscal policy. I would not support the program unless that were the case. It is my view, in fact, that responsible fiscal policy demands rapid welfare reform, for such reform will enable us to make significant long-run savings. The question is not whether we can afford this legislation, but whether we can afford to go on without it.

HOPES TO REDUCE ROLLS

A central point of the new program is that only those who are willing to take a job or to enter training are eligible for benefits. In addition, the new payment schedule would be structured to reward those people who take jobs rather than penalizing them as does the present system. In short, the Family Assistance Program—for the first time—would make welfare a method for putting people back to work, reducing the welfare rolls and expanding the payrolls of the nation.

This new program would also remove that element in the present system which encourages fathers to desert their families. In addition, it would give significant assistance to the aged, the blind and the disabled by establishing for them a national minimum benefit level.

It is often said that nothing in this world is as powerful as an idea whose time has come. In my view the Family Assistance Program is an idea whose time has come—and the welcome action of the Ways and Means Committee confirms that judgment. Not every Congress has the opportunity to enact a fundamental reform of our basic institutions. The 91st Congress now has that historic opportunity.

Senator McGOVERN. Mr. Secretary.

STATEMENT OF HON. JOHN G. VENEMAN, UNDER SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY HON. ROBERT PATRICELLI, DEPUTY ASSISTANT SECRETARY FOR INTERDEPARTMENTAL AFFAIRS

Mr. VENEMAN. Mr. Chairman and members of the committee, I am pleased to appear before you today to discuss the President's family assistance plan. I have brought a prepared statement with me today but rather than read the entire statement, I agree that it would be more useful as you suggested to summarize the major points and submit the full statement for insertion in the record.

I would like first to point out briefly what some of the major weaknesses in our existing system are, summarize briefly the components of the welfare proposal as it passed the House Ways and Means Committee yesterday, and then briefly discuss some of our concerns with some of the other alternative proposals that have been suggested.

The point I would like to stress in this discussion is why we believe that the President's welfare reform package represents the best balanced attack currently possible on the inadequacies and inequities of the present system, consistent with fiscal constraints and with the preservation and enhancement of incentives for work and for family stability.

First of all, I think it is generally agreed that the purpose of public assistance is to assist those most in need and least able to help themselves. That is the underlying philosophy of our present AFDC programs. This primary emphasis on helping only the most needy has led to the development of a system characterized by restrictive means tests, categorical exclusion of the seemingly able bodied and a sharp reduction of payments as other sources of income for these people increase.

We have found that there were many adverse side effects to this present system. For instance where we have female heads of families only being eligible for public assistance, we have created an incentive for fathers in low-paying and sporadic jobs to leave homes so that their families will become eligible for welfare.

The unemployed father portion of the existing program lessens this problem somewhat by extending coverage to families with unemployed fathers; however, it covers fathers only in 24 States and enrollments in even these States have been only a small portion of those estimated to be eligible.

We have no Federal program at the present time which provides assistance to the millions of families headed by a man who works but is still unable to provide sufficiently for his family. Yet, over one-third of the families that are in poverty are headed by a full-time, full-year worker.

Too often in this country it is possible for working people to be better off on welfare. Take the case of a working woman whose earnings have been in excess of a State-defined need standard. She is not eligible for any type of welfare support. However, a working mother earning less than the need standard would be eligible for supplementation of her wages based on the existing wage disregard formula of "30 plus one-third."

An example of this is given on table 1[1] which is attached to the prepared statement.

Table 2, which is attached, shows a similar situation where you have an AFDC unemployed father. These persons by regulation are persons who work 30 hours or less per week. This means that a father on welfare could be better off than a full-time working father as a result of the "30 plus one-third" formula so long as he does not put in more than 30 hours a week.

In table 3 that is attached we show for selected States what the nonwelfare working family must earn to be as well off as a welfare family that has no earnings. As an example, welfare will pay a four-person family in Arkansas $95 a month. A nonwelfare family of four must have earnings of about $115 a month to have the same disposable income.

Table 4 presents this same information in a different way, perhaps even more starkly, in that it shows the net disposable income of a welfare family and a nonwelfare family which have the same earnings. The amount of earnings chosen is the amount which the previous table showed as being necessary for a working man to earn in order to be as well off as a person on welfare.

It is not possible to measure exactly how much this clear discrimination against working families has drawn people out of the labor force and on to the welfare rolls.

Table 5, which was taken from the report of findings of a special review of AFDC in New York City transmitted to the House Ways and Means Committee last year, presents some evidence on the extent to which the fact that families can be better off on welfare has caused such families to shift to public assistance.

That report ranked 11 cities by AFDC caseload per 1,000 poor persons in the population. It then compared this measure of the tendency of poor people in each city to go on welfare to the degree of difference between the expected earnings and the welfare payment available to poor people in the same city. As the report pointed out there was a positive statistical correlation between the tendency to go on welfare and the lack of any clear benefit from working.

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[1] See tables 1-5 on pp. 278-280.

Similarly, we cannot measure directly the impact of current welfare policy upon family stability but it is interesting to note that in face of an overall decline in the total number of families in poverty of 3.2 million from 1960 to 1968, the percent of female-headed families in poverty have increased from 24 to 35 percent. Since 1966 there has been an absolute increase in the number of such families. At the same time, the number of welfare recipients has doubled.

These problems illustrate some of the basic motivations and reasons for the structural reform of the system that the President has asked for. Specifically, the administration is asking for three major structural reserves:

One is the equal treatment of both male and female-headed families in the Federal welfare system.

Second, the extension of the coverage to the working poor, the group that presently has no federally financed support.

And, thirdly, provision of strong financial incentives for recipients to continue and expand their work effort through provisions disregarding the first $720 of earned income entirely and a percent of income above that amount in the computation of benefits.

Of course, this extension of coverage and provision of work incentives is expensive. With a $1,600 basic benefit, a $720 initial disregard and a 50 percent so-called tax rate on earned income, the break-even point or the upper limit of eligibility under the family assistance plan is $3,920.

A $100 increase in this basic standard raises the break-even point by $200, thereby extending the coverage to a considerable number of additional families.

I think it is also significant to point out that to increase the basic benefit by this $100 would mean an additional $400 million cost to the program. The cost of the $720 disregard is estimated at $1.2 billion.

Furthermore, of the $3 billion family assistance cost, $2.1 billion, will go to working poor families.

So, in short, to improve and preserve the equities and the incentives we must use some dollars which might otherwise be available to raise the basic minimum standard.

However, we feel strongly that doing it this way we are putting the dollars in the right place and buying the appropriate kind of coverage within the resources available.

The plan includes a mandatory work requirement for able-bodied recipients within the households. We are convinced that such a requirement as modified by the Ways and Means Committee is an essential component. It is very much within the philisophy of the American people that persons who can work should do so rather than be free to rely on entirely public assistance.

I think this reflects the view of many congressional members that we have discussed these programs with and it certainly reflects the view of the public in general.

Furthermore, we feel that most assistance recipients will choose gladly the opportunity to upgrade their skills and enter gainful employment. When we look at some of the data on mothers that have children between the ages of 6 and 17 and are without husbands—these are essentially women in the same circumstances as most welfare mothers—we find that 68 percent of these mothers are already working with 57 percent of them working full time.

The findings of the Podell report on families on welfare in New York and similar studies emphasize the desire of welfare mothers to work and the number of those that have had some work experience.

Thus we have included in the work component of the family assistance plan a full range of manpower related services including counseling, training, job placement, and quite an extensive emphasis on child care facilities for children of recipients. Collectively, these elements should advance the availability for employment of recipients considerably.

There is a provision that was amended in the Ways and Means Committee which now provides for 100 percent matching of the day care projects and, in total dollars, I believe there are some $386 million allocated in the plan for daycare.

So far I have stressed the features of the President's proposal which represent the careful balancing of the incentive features inherent in any income maintenance program. I have indicated that it is expensive to construct a proper system of work incentives. I think it is equally important to stress that we are still purchasing with our family assistance dollars a rather major attack on the poverty problem in the United States.

I think the most significant improvement is in the terms of the coverage. Family assistance will cover 65 percent of all the poor and 100 percent of all poor families with children, as well as a considerable number of low-income families above the poverty line.

AFDC by comparison apparently covers only 17 percent of the poor and 35 percent of all the poor children in the country.

In addition to the benefits to the families with children category, the proposed establishment of a minimum benefit level of $110 per person for the adult categories, the aged, the blind and disabled will in itself lift all aged couples, those who are married, considerably over the poverty line of $2,071 for such families. For a single aged person, the benefit will provide an income of 80 percent of the poverty line exclusive of medicare benefits.

I think most of you know the initial proposal had a $90 adult category ceiling in the initial bill which was raised to $110 by the Ways and Means Committee.

We also have to consider the impact of the food stamp proposal. When you include that in the overall package, it produces a combined basic subsidy for a family of four of some $2,464 a year. This would be $1,600 in the family assistance for the basic allowance and $864 in the stamp bonus.

Senator Dole. Mr. Chairman, is a question in order at this point?

Senator McGovern. Go ahead, Senator Dole.

Senator Dole. This question was asked the other day by the Reverend Jessie Jackson.

Let us assume (1) we have a father and mother and two children: (2) he is unable to work because of illness or some other incapacity: (3) they have not been on welfare before; and (4) this bill is enacted substantially as it is. What are the total benefits that family of four will receive? In addition to the $1,600, there will be a food stamp bonus of $864.

Mr. **Veneman**. That is correct, Senator. In order to clarify that, they would have to use part of the $1,600 basic allowance to purchase the food stamps allotment of about $1,200 so that the net food stamp bonus is $864 for a family of four.

Senator **Dole**. Are there any other possible benefits available to this family of four? What if they can't exist on $2,464 or whatever the basic subsidy is?

Mr. **Veneman**. There are several other programs the family might be eligible for depending on their particular circumstances and the state in which they resided. If the father is severely incapacitated he might be eligible for assistance under the aid to disabled category. Being unemployed he will also be eligible for State supplementation under the unemployed father program which family assistance will make mandatory for all States. The family would also probably be entitled to medicaid benefits and to the social services provisions of the Social Security Act.

Senator **Dole**. The question has been raised and I think it should be clarified for the record, who can live on $1,600? What family of four can possibly exist on $1,600 plus whatever the food stamp bonus might be?

We would appreciate having, either for the record or now, an explanation of what other benefits would be available to this family. Take the family of four because that is the basic unit around which most discussion has centered.

Mr. **Veneman**. One significant additional benefit would be their health coverage under medicaid. I think another fact that we have to consider is that in 42 States they pay additional benefits above the $1,600. You have State supplementation which under family assistance States must continue. It depends also on where he lives.

The situation you are describing would be in one of the eight States where the maximum payment is currently below the family assistance benefit level, one of the eight lower States where you bring it up to $1,600.

Senator **Dole**. Right.

Mr. **Veneman**. In addition, there would be State supplementation if they lived in one of the States that was currently paying above the $1,600. In these States only fully employed family heads who, by that fact have other income available, would be eligible only for family assistance.

Senator **Percy**. This seems to be one of the great problems you run into. If they are sick, they can get medicine but if they are hungry they can't get food even in a city like Chicago.

Mr. **Veneman**. There are two things that make food available.

One of them is dollars which under this program they would be receiving which they had not received before, particularly when you get into the working poor class.

The other one is extension of the food stamp program which is also linked into this.

Senator PERCY. Many have told me they just don't have the money for the food stamps. They can't afford it then. Their rent and their other requirements take so much: and they can be evicted and out on the street, if they don't pay the rent. Often after the rent is paid, they just don't have the money left for food stamps.

Mr. VENEMAN. Again, I think the basic answer is the availability of additional cash. I think a lot of these facilities that you are probably describing in Chicago would probably be those that are now depending upon a general assistance program, a good many of them.

Senator DOLE. This is an area, as Senator Percy pointed out, that needs some clarification or expansion. What would this same family of four receive under the present welfare program? Of course, it depends on the State. Some have lower benefits; some may have higher. As I understand it, in no case would they receive less under the new program than they would under the old program, and in those cases they would receive more. Is that correct or not?

Mr. PATRICELLI. Senator, approximately 20 percent of the present AFDC recipients would have benefit increases as a result of the move to the $1,600 floor. It is important to understand that the family assistance plan is not, by and large, a benefit increase program for existing recipients. Those who will have extra income as a result of the plan are principally the newly covered category of the working poor, existing in Chicago and elsewhere in this country, who although working full time are working for poverty wages and at present are discriminated against in terms of Government treatment.

I think the President felt that in terms of all the various emphases that you could have for a welfare reform program, the first and most important right now was a structural change rather than attempting in a major way to increase benefits for present recipients.

Senator PERCY. Senator Dole, would you yield at this point because I think you have raised a very crucial question and we would need a clarification from the administration.

The House Ways and Means Committee say that what we had to have was incentive for the States to continue to pay more. They realize you can't live on what was provided. So they provided that the Federal Government would pay 30 percent of the State supplemental welfare payment.

Our costs in Illinois doubled for welfare in the last 2 years; they are up this year three quarters of a billion dollars.

What is the administration's position and your own position on the House Ways and Means Committee action to provide 30 percent of Federal funds to supplement what the State will do?

Mr. VENEMAN. We not only support the amendment, we recommended this as alternative to what we had in the bill originally, what we referred to as the 50–90 rule, which provided that every State would have to spend at least 50 percent of what they expended before and no State would spend more than 90 percent of their previous expenditures under the existing program.

Senator PERCY. How did you arrive at the 30 percent figure? Is that a figure that was reasoned out to be an adequate incentive to have the States continue to supplement the basic Federal minimums?

Mr. VENEMAN. The 30 percent applies up to the poverty line. It was reasoned out in two or three ways. One of them was the concern over the 50–90 rule. We all recognized that the States were in a fiscal dilemma. They needed assistance in maintaining their public assistance programs. We did not want to get in a position where we were making it more difficult for them.

For the most part, the members of the committee and those on the staffs, both our staff and the other agencies that were proposing the bill, felt that Federal sharing in supplements up to the poverty line lessened the administrative complications potentially involved in computing State fiscal relief under the 50–90 rule. At the same time it will provide over $500 million in fiscal relief to the States. The 30 percent helps practically all the States. There are only eight that would have been better off with the 50–90 rule. Of course, the major framework we had to work in then in setting the 30-percent figure was the total amount of fiscal resources available.

NEED FOR STATE SUPPLEMENT OF WORKING POOR [1]

Senator MCGOVERN. Mr. Secretary, what is your position with regard to Federal sharing of any supplementary benefits the States might pay to the so-called working poor?

Mr. VENEMAN. We have not mandated State supplementation for the working poor category. That group of people would only be covered by Federal programing.

Since the working poor are by definition, wage earners, the provision of a $1,600 floor, with a $720 disregard and 50 percent tax rate, will bring them up considerably above where they are now. In fact, together with food stamps it will move the average working poor family receiving family assistance above the poverty line. I don't think there would be much need for State supplementation or any additional payment in those cases, Senator.

Senator MCGOVERN. So that in the event of the State actually moving out ahead in that area to lift the payments to the so-called working poor families, there is no formula there under which they would be rewarded with Federal sharing?

Mr. VENEMAN. We have not felt the need because, you see, for the most part, when we talk about the working poor category we are talking about a full-time employed family, the head of a household, who is earning below what the welfare payment is.

Assuming they maintain that job with the $1,600 guarantee they will probably be above the welfare standard anyway in that particular State. I think in most cases that would occur. There would be no case where they would be better off going the other way.

I think the pressure that the States will be up against, of course, will be increased grant levels for the other categories as opposed to the working poor. That is where the pressure has been in the past.

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[1] See Table I.a.—Earned income to lift family with one or two parents employed and not receiving State supplement to bring income of family to the appropriate poverty level, p. 284.

Senator McGOVERN. Mr. Secretary, one of the things that I assume we are trying to accomplish with this administration proposal or any of these other major suggestions that have been made by Senator Harris and others, is to reach all the people who are in need.

It seems to me that what you are doing is pyramiding a number of programs that do not reach all the poor. For example, the medicaid program. Isn't it a fact that that program as it is presently structured does not reach all of the poor?

The same thing with the food stamp program. I think our committee has testimony showing that only about a sixth of the poor people actually participate in food stamp assistance.

Even if one projects the improvements that have been requested by the administration, I think it would be generous to say that you will be reaching half of the poor.

Aren't you really pyramiding a number of Federal programs, most notably medicaid and food stamps, and leaving the assumption that all poor people are going to get those benefits plus the family assistance benefit when the truth of the matter is that you are only reaching a fraction of the people with those other programs?

Mr. VENEMAN. Not from the standpoint of eligibility, Senator.

I think, for the most part, persons who are eligible for public assistance payments are also entitled to participation in the food stamp programs, and, for the most part, participation in title 19.

I think we have to recognize that the medicaid program is really 50 different programs because it is a State administered program according to certain guidelines established by the Federal Government to provide five basic services. Some States are more generous than others.

Furthermore there are still two States who do not participate in the program at all.

Senator McGOVERN. But eligibility is meaningless to a person who is not being helped. My understanding is that in about half of the States you don't qualify for medicaid unless you are on the public assistance rolls.

Mr. VENEMAN. A good many States have not gone so far as to include what they call the group 2's, which would be those persons who had spent themselves down to the welfare standard but have not themselves gone onto the public assistance rolls. Many States do. The others do not. This, of course, is not directly involved in this particular program but it is an issue that we will have to grapple with before both the Senate Finance and the Ways and Means Committees in the next few weeks.

Mr. PATRICELLI. Could I amplify on that response?

Senator McGOVERN. Yes.

Mr. PATRICELLI. On the question of the coverage of the poor, had the family assistance plan been in effect in 1968, it would have had as eligible population 25 million persons, the great bulk of the people in poverty. Now, as the statement itself says, 65 percent of all those in the poverty category would be covered by family assistance alone.

In addition, the administration has proposed, rather than pyramiding, a consolidation of the so-called adult category programs of aid and approximately 23 percent of all those in poverty would be eligible under one of those programs.

There is in the background materials that are provided the committee, the welfare reform chart, a pie chart that shows those that would be eligible in poverty for one or another of these assistance programs. The principal groups that are not covered under the administration's welfare reform program are the nonaged single persons and the childless couples.

But, by far, the greater percentage of poor people will be eligible for one form or another of public assistance.

FOOD STAMPS TO BE DENIED TO MOST FAMILY ASSISTANCE RECIPIENTS

Senator **McGovern**. The point I was trying to make is that it is not an actual reflection of what the situation would be to simply add onto the $1,600 in family assistance what families conceivably could get under medicaid and under food stamps when we know that a high percentage of poor people are not participating in either one of those programs because of the standards that are set in many of the States, or because of the way the programs are administered.

This seems to me to be one of the vulnerable points that we are going to take a very close look at. What do you do with those States that are weak in all of these areas, operation of the food stamp program, operation of the medicaid program, and supplementary benefits. You can have a situation under this program where $1,600 or a little more is about what people are going to have to look forward to in many States. Is it not a fact that less than 20% of those who will be eligible for Family Assistance now get food stamps and that, even under your own optimistic projections, no more than 45% of those eligible for Family Assistance will ever get stamps? If this is the case, how can you defend the inadequacy of $1,600 by saying people will also get food stamps when less than half will actually get them?

Mr. **Veneman**. I think the $1,600 would be the minimum in eight States. The rest of the States, 42, supplement to a certain degree.

Mr. **Patricelli**. In all of those States, it is an improvement over where they are now.

Mr. **Veneman**. Considerable improvement taking some of the lower ones such as Mississippi.

Senator **McGovern**. But it is a fact, is it not, Mr. Secretary, that in those States where 8, 10, 15 percent of the people are participating under the food stamp program or the commodity program and where you have to be on public assistance rolls to qualify for medicaid, that it is a little bit misleading to suggest that you are adding $1,600 to people who are already drawing food stamps and medicaid? They may not be drawing either one of those and yet they may be poor in many States.

Mr. **Veneman**. I think the reverse situation may be the case more than the one you described. I think you might find that with the establishment of Federal eligibility standards and, perhaps, direct Federal administration, many more people would actually become eligible for public assistance, particularly in just those low-paying States which have, for the most part, been quite restrictive in their children's programs although somewhat more generous in their adult categories.

Now, as this extension of coverage increases, this segment of the population in these low paying States will have dollars available with which to participate in the food stamp program and would, in addition, become eligible for the title XIX program in those States.

Senator McGovern. So your view is that the availability of the family assistance payments to the States, even in the eight that don't go above the $1,600 level now, that this releases additional funds in those States for other assistance programs?

Mr. Veneman. Well, it expands the coverage in those States. Those newly covered by assistance would therefore become entitled to other programs. I think that is a better way of saying it. It will release funds to a certain extent, but I think for the most part those States really do not come out with as much fiscal relief as some of the others, particularly given the increase in the adult category minimum benefit level.

Mr. Patricelli. I think the point is that with Federal eligibility rules and at least to some degree Federal administration you would have greater participation in so-called State supplemental programs where they exist which in turn will trigger medicaid eligibility.

So that, while we all agree there are participation problems with something like title XIX, the setting of national eligibility standards for welfare will help to improve that situation.

Senator McGovern. It seems to me that this question that Senator Dole referred to is really a crucial one that is bothering a lot of people. The question is, How can we really say we are getting at the problem of need when we opt for $1,600, even with the food stamp supplement?

What do you think, Mr. Secretary, it really costs for a family of four to meet their basic needs with any degree of dignity at all?

Mr. Veneman. I think the poverty level now, Senator, is set at approximately $3,720 for a family of four in 1970.

Senator McGovern. Just to reach the level of poverty?

Mr. Veneman. That is the breakout point from poverty. Income levels below this we describe as poverty. I would assume that was established as need.

Now, there are a couple points here. No. 1 is that I think there are some people being left with the impression that all that these families of four are going to get is the $1,600. Again, I want to stress that we do in fact have State supplementation for female-headed families and for families with unemployed fathers.

Secondly, we are covering a group called the working poor who will have incentive to work. For this group we have a disregard where they retain 50 percent of their earnings up to——

Senator Dole. Was that 50-percent tax changed in the House?

Mr. Veneman. No.

Senator Dole. It was not changed?

Mr. Veneman. No; it is still 50 percent tax up to a break-even point of $3,920 without State supplementation. If there is State supplementation, it would go above that.

The number of people that would be in fact at the minimum would be a relatively limited number of the total caseload. I don't know whether Mr. Patricelli has those figures or not.

Mr. Patricelli. At the $1,600 minimum, it would be roughly 20 percent of the present AFDC caseload but that in turn would be something like less than 10 percent of the entire family assistance caseload.

Mr. VENEMAN. I don't want the implication left to the American people or any legislator, any Member of the Senate or House, that we are suggesting that all the people in the family assistance plan are only going to get $1,600 and an entitlement to food stamps and some medicaid. That is really not what we are saying. We are saying that this is where we are going to establish a Federal floor in these programs which has never been established before.

Previously, what we have had, of course, I think you all know, is that the States have been the tail that has wagged the dog. Their legislatures would meet, they would establish levels and we would match 50 percent if they were in the medicaid program. This has led to a very uneven distribution of Federal funds among the States and, hence, among the poor.

Senator MCGOVERN. Let me make clear for myself, and I think every member of the committee would agree with this, that I certainly recognize the President's proposal as an improvement over our present system. I don't think anyone denies that. When you add $1,600 in the way of Federal payment, that is an improvement; there is no question about it.

But at a time when the Congress and the administration and the country have come to the view that we need to bring about a fundamental restructuring of our welfare programs, and when I think there is growing awareness that we ought to put an end to poverty in the United States, the question is not whether we are offering an improvement. The question is, Have we really now come up with a formula that is going to do the job?

Let me put it to you this way. You have said that $3,720 is the level necessary to bring people out of poverty, get them up to the bare minimum.

Mr. VENEMAN. That is not a "Jack Veneman judgment."

Senator MCGOVERN. That is the official poverty level.

Let us assume that the Congress enacts the administration's proposal just as it has been brought to us, how many States operating under that program would reach the $3,720 level?

Mr. VENEMAN. Eight or 10 that are presently above the poverty level in the families program.

Senator MCGOVERN. Eight or 10 States would then be able to say we have a program to lift people out of poverty?

Mr. PATRICELLI. May I correct that, Mr. Chairman?

Until the day before yesterday when the Ways and Means Committee established in law the $3,720 poverty line, which was an updated 1969 figure, the previous level had been $3,553 for a family of four in 1968. At that point, there were some six States that were paying more than that. There is only one State that is presently paying more than $3,720 for a family of four.

Mr. VENEMAN. I stand corrected.

We were discussing in terms of the $3,553 poverty level when we were looking at the States that were supplementing above it.

Senator MCGOVERN. Actually, there would be only one State, even with the administration program operating, where people would have been lifted out of poverty——

Mr. PATRICELLI. By cash assistance welfare alone.

On top of that, there are various in-kind programs.

Senator McGOVERN. Your estimates include the food stamp program, do they not?

Mr. VENEMAN. The $4.4 billion figure is the full fiscal year cost of the family assistance plan. But the figures on State supplementation up to the poverty line do not include food stamp entitlements, only cash payments.

Senator McGOVERN. With this program in operation as it has now been proposed to us, as I understand it there would be only one State where you had family assistance programs plus the supplement of the State that would lift poor people to the poverty line, the $3,720 a year. Is that a correct statement?

Mr. VENEMAN. That is correct.

Senator PERCY. Is that the State of New York?

Mr. PATRICELLI. The State of New Jersey.

Senator PERCY. So the percentage of the poor that would be affected would be 2 or 3 percent of the poor?

Mr. VENEMAN. That would be at the poverty level by State supplementation. I am not sure what the caseload is in that State.

I don't think we should distort the picture. I think that we may be losing sight of our real target and objective in this program.

Senator DOLE. If you were to crank in the food stamps and the medicaid, do you have any figure how many States would be above that level?

Mr. PATRICELLI. I think we are really talking about the wrong number.

What we have been asked is how many people who have no other income whatsoever are moved across the poverty line as a result of this and any other public assistance program. Of course, most people below poverty have some other form of income.

On page 11 of the Under Secretary's testimony, it states that family assistance money payments alone will move almost 2 million persons across the poverty line, an additional 500,000 across the low-income line. Then, in addition, you have, as a result of the Ways and Means Committee bill and the President's proposal, a movement of all aged couples over the poverty line. Even for single persons in the adult category this form of support alone will raise them to 80 percent of their poverty figure.

Senator DOLE. I think the story in the Times indicates, maybe this is total figures, it would increase those eligible for welfare assistance from 1.7 million families or 6.8 million persons to 4.6 million families or 22 million to 23 million persons.

Is that a fairly accurate estimate?

Mr. VENEMAN. This would include the working poor. These were based on the 1968 figures.

Senator DOLE. That is a very significant increase.

Mr. VENEMAN. It is an increase, Senator, but I think we have to make another distinction here. That is that this group of 10 million people or 2 million households, families that we are bringing into the working poor group are being supplemented, their incomes are being supplemented. They are not being brought in as a welfare recipient in the same context that you think of an AFDC mother or an adult blind or disabled person as a welfare recipient. These are people who have incomes of their own who would receive supplemental aid from the Federal Government. The total cost then per recipient would be relatively small by comparison with existing cost as is the case in the welfare caseload.

Senator DOLE. If there is some difference between this and the guaranteed annual income, you would have to split a few hairs to find it.

Mr. VENEMAN. I don't think you would have to split them that fine.

In the context that most people think of guaranteed annual income they think, No. 1, of universal coverage; No. 2, assurance that you are going to have income regardless of attitude or effort.

I think the major distinction is that the program does in fact have a work requirement. You must register for work. You don't have the option that you are not going to go to work and get your guaranteed annual income. That has been removed by the work requirements.

Secondly, it is not universal in the sense that every person in America has an entitlement. We still maintain the family requirement. There has to be a child involved to cover the married couples or singles.

Senator DOLE. I am informed that the House Ways and Means Committee made 14 principal changes.

Do you support the changes made by Mr. Mills' committee? We have a list of some 14 changes.

Mr. VENEMAN. I think that is correct.

Senator DOLE. Are any changes made by the House Ways and Means Committee with which you are not in accord?

Mr. VENEMAN. For the most part, Senator, we are in general agreement. There are a couple of them that we have had some problems with. In our initial bill, item 12, we had it written that there would not be the opportunity to impose a lien on a person who was participating in the program. The Ways and Means Committee made this permissible within the States.

Senator DOLE. Is that the present practice?

Mr. VENEMAN. That is the present practice under the public assistance programs but when we submitted the bill we based it on the precedent that was established in the title XIX amendments which precluded the placing of liens as a condition to receiving medicaid money.

Senator DOLE. I think probably the underlying reason (and I have had some experience with this locally in Kansas), is that there are those sons and daughters who find it expedient not to care for their mothers and fathers when they reach their later years, so the welfare program, of course, picks them up, and then at death the son comes in and claims the property. I have never felt much sympathy for a son or daughter who had this attitude; although, there are probably other good reasons why there should not be a lien on the property.

In most States there are allowances made for burial and last illness. It is not an effort to burden the family of the deceased, but in many cases there are those who look for loopholes. Let the Government assume the responsibility for the care of the mother and father, and some children expect to come in and take advantage of the same program after death. I assume this is the underlying cause for deleting that provision.

Mr. VENEMAN. That was basically one of the causes. I think the arguments were made back and forth.

Senator DOLE. That is not a fatal change, as far as you are concerned?

Mr. VENEMAN. No. I think for the most part all 14 of these were adequately discussed. We didn't have too much trouble with any of the amendments.

Senator DOLE. In fact, you had less trouble than anyone would have imagined 6 months ago, and sailed through the Ways and Means Committee.

Mr. VENEMAN. It did not sail.

Senator DOLE. There were only three votes against it. It must have been near the sailing point.

Mr. PATRICELLI. Mr. Chairman, I hope not to try the committee's patience, but I would like to get back to your question which, of course, is very fundamental. That is, what is the impact of this or any other program on lifting people out of poverty?

I would suggest that this is not the only context in which you have to look at a program like this, as, of course, you know. There are other goals that have to be served at the same time, for example, constructing a proper set of work incentives and constructing a proper set of family stability incentives. To state it as briefly as I can, the basic minimum benefit is only one of three essential ingredients in any income maintenance system. They are all interconnected. Whenever you change one, you have to be concerned with the impact on the other.

The three are, first, the basic minimum payment, in this case $1,600 for a family of four; second, the so-called marginal tax rate, that is, the rate at which you take dollars away from an individual's welfare payment as his earnings go up which in the case of family assistance is 50 percent; and, last, the so-called break-even point, the eligibility ceiling, which in the case of family assistance is $3,920.

Now, if you were to concern yourself principally with the first of those factors, that is, the minimum benefit payment and raise it from $1,600 to the poverty line, the impact on the other two has to be considered.

If you were to preserve a 67 percent marginal tax rate, that is, you would be taking away 67 cents from the welfare payment for every dollar of earnings, you would have a break-even point, an eligibility ceiling, the third factor in this case of roughly $6,000 for a family of 4 and much higher for larger families.

Under this plan almost half of the families in the country would be eligible for some benefit.

Senator MCGOVERN. Do you have any idea what those average payments would be under the program as it is presently structured? What rough percentage of the overall funds that are allocated under this program would you see going to the working poor families? How much would that figure out if you have it in the way of average benefits for a working family to still qualify? What are we talking about in terms of the work incentive payment?

Mr. VENEMAN. About $740 per year, Senator. That is for a working family of four.

Mr. PATRICELLI. The working poor, a family with a wage earner working full time, would receive an average payment under family assistance of $742. The average family size in that group is 5.6.

Your question as to how much of the money goes to the working poor is partly touched in the testimony. Roughly, $2.1 billion of the $3 billion in new Federal money for benefits that the family assistance plan contemplates goes to working poor families.

Senator MCGOVERN. Mr. Secretary, there has been a great deal of emphasis placed on that part of the program known as the mandatory work requirement. The President stressed that in explaining this new proposal, that he thought we ought to replace welfare with workfare.

Just to be blunt about it, isn't that really more of a public relations and political gimmick than a substantive change? Because doesn't it imply that people are on public assistance because they don't want to work? Doesn't it also imply that jobs are available when they are not?

Mr. VENEMAN. No. I think it implies one or two things. We all have to be realistic about what constitutes the public assistance caseloads. You do have to segregate out the aged, the disabled, the blind and the children. Then you get down to the core that is left that are trainable. I don't think it is a public relations gimmick at all when you stop and realize that between 70 and 80 percent of the AFDC mothers have worked at some time or are now working despite the weak incentives for work provided under the current system. Why aren't they working now? One of the reasons is perhaps the lack of training opportunities. Perhaps another reason is the lack of sufficient incentives to earn income, that is, they are better off on welfare than they would be if they took a job.

Perhaps more significant is the fact they don't have anybody to take care of the kids. So, built into this is a $386 million day-care component. I think when you look at all the elements of this program together that the work requirement is a significant feature because it relates not only to the training experience, the upgrading experience, it provides day-care slots and gives the opportunity for these people to get back into the labor market.

Senator PERCY. Mr. Secretary, on that point I fully concur. My own experience has been that with welfare families most of the mothers would much prefer to work. They recognize that working will give them what their cultural background deprives them of. It would require that they get some education and a skill and a sense of dignity.

I agree that two-thirds or three-fourths of the mothers would want to work. I think the administration providing operating funds for daycare centers is a costly venture but a tremendous investment in the future of human beings and in the sense of individual dignity.

DAY-CARE CENTERS ARE NEEDED

What is lacking, I think, is the construction funds for day-care centers. We just don't have enough of them. In fact, we need a tremendous program to lift the restrictions that most cities have on the type of structure that can be used. I think most churches have been ruled out for day-care centers. If they are good enough for Sunday Schools, they ought to be good enough for day-care centers.

How does the Administration feel about providing and working toward funds for the construction of day-care centers which are just as necessary as operating funds to run them?

Mr. VENEMAN. I cannot respond specifically for the administration on new construction funds. However, the new program, unlike the existing program, does provide funds for renovation and improvement of existing facilities. It does not, however, provide funds for new construction.

I think what we are looking toward is the opportunity to utilize as many of the existing kinds of facilities as possible. One of the discussions that we debated for a great deal of time was how can we best utilize the school facilities, particularly for those mothers who have children in school for that short period before and after school hours? This can be done by contracting with the school district. These are facilities which are available now.

I think the big question is: Do we know just how many new day-care facilities we need or have we really inventoried all the potential facilities that there are in the country? I think there is evidence that if construction funds are necessary, as we progress with this program, it would then be logical to provide money for new construction.

Senator PERCY. I cannot really perceive much use of school facilities. Day-care centers are needed during the week at the time the inner-city schools are heavily pressed. I don't think it would be a good thing to take inmates into the atmosphere of our present inner schools today.

Mr. VENEMAN. I don't think we are sugesting that you would primarily use schools for full-day child care, since I agree that the need for space during regular school hours would conflict with the school's own need for space. However we are suggesting that schools be utilized for afterschool care of schoolage children.

Senator PERCY. Has anything been done about the use of churches, the Sunday school facilities? The churches are located in the communities, they are right there, people are used to going to them. They have a good association with the church. Isn't there some way that we can confer with the church people and the clergy and survey church facilities to see what facilities would be available for day-care centers in churches if we can provide operating funds?

Mr. VENEMAN. I am not sure what has been done. I can speak from personal experience. I know in our community where there is an OEO day-care center, that the facility used was a church facility. I am not sure whether or not there has been a complete nationwide survey made of those that would be available if operating funds were made available. But I would look at them as potential facilities for daycare centers. I would also look at some of the large industrial or manufacturing plants as potential facilities where we could work out contracts where daycare facilities could be maintained.

Senator PERCY. To the extent we can use those, fine. Storefronts also make perfectly adequate day-care centers. We have one we built ourselves in the 29th ward of Chicago. It was very fine. We need remodeling funds, some construction funds, though. They would be modest compared to the operating funds.

The present administration bill supports operating funds which are tremendously expensive, but we need some construction funds provided for remodeling, fixing up a place.

Mr. Veneman. Those funds are in the bill, Senator. The bill specifically authorizes expenditures for renovation and remodeling of facilities. Only new construction money is not.

Mr. Patricelli. I think we would say that there have been some discussions on this. I don't think the administration position has fully evolved yet. However, there does seem to be a consensus in dealing with the new construction issue that more favorable consideration is being given to an interest, subsidy, or guaranteed approach than to using direct Federal dollars for construction.

Senator Percy. Mr. Chairman, one last point.

I think one of the most important things that we need to get across is that the Administration's position is not as most people think, the bottom end of the proposals being made, $1,600 for a family of four.

With the Heineman Commission, it is $2,400; and the White House Conference on Nutrition, $5,400 or $5,500.

As you point out on page 11,[1] the standard established by the Administration which includes stamps would bring a family of four up to $2,464, which is above the Heineman Commission. The Heineman Commission does not provide for continuing food stamps.

How do you answer the fact that we have had so much criticism of stamps as humiliating—cash is much better—as Heineman says? Why do you feel the continuation of stamps is desirable instead of cash?

Mr. Veneman. I think, as the Secretary has testified before this committee, that the ultimate objective would be to provide cash instead of aid in kind. I think this is a desirable target to be looking toward. I think the practical fact of life that we have to face right now is that we do have a food stamp program in existence; and the program does provide that if you have a $1,600 income you can get some 800-odd-dollars of additional income by purchasing stamps.

Let us take the Heineman Commission recommendation, $2,400 without food stamps. I think we all have to ask ourselves, will that family be nutritionally better off than the one with $1,600 and food stamps? These are the questions that we really have to ask.

Senator Percy. Politically, also, can't we say that in principle the important thing is to reform the present system, not shoot for the ultimate, not to try to satisfy what is ultimately and utopianly desirable? I think it is important to do something today that is profitable enough to be passed by the Congress. What you have presented is a practical, realistic program and the House vote seems to confirm this.

Senator Dole. Will the Senator yield?

Senator Percy. Yes.

Senator Dole. We have had some testimony on this matter previously. I recall the testimony of Dr. Alvin Schorr, the Brandeis University professor of social policy. Are we going to let the States continue to administer the program? You touch on it on page 14 and elsewhere. In my own personal visits and experiences with those on welfare this is perhaps the portion of the program which is most violently opposed.

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[1] See complete statement on p. 272.

Will there be Federal standards, will there still be contracts with States, the States can operate the program? How are we going to make certain we have uniform standards and that the child in one State is as well taken care of as a child in another? Is that amply provided for?

Mr. VENEMAN. We feel it is, Senator. We will of course, have basic minimum Federal standards. Now, as far as the administration of the program is concerned, I think that the incentive that we have provided in the bill for Federal administration is one that will make States really stop and think, because we provide that if they contract with the Federal Government for the administration of the program it will be 100 percent financed by the Federal Government. If they choose to continue administering the program themselves, of course, it is a 50–50 matching.

Senator DOLE. Is that a sizable expenditure, the administration cost, say in Alabama, or in Kansas?

Mr. VENEMAN. I think it is all relative. I think it is about 8 or 9 percent.

Mr. PATRICELLI. Nationwide, the cost of administration is running above $650 million, of which half of that is Federal cost. So, the State costs are about $325 million.

Senator DOLE. So there is an incentive for the Government to pick up the entire tab for administration as compared to 50 percent at the present time.

Mr. VENEMAN. That is correct. The way the bill is written, the State has the option. They can continue to administer on the old basis. But I think from a very practical standpoint, that they are going to contract with the Federal Government and we will pick up the tab.

Senator DOLE. This is one of the most valid criticisms of the welfare program of the administration. Whether we set the floor at $1,600 or some other figure in that area, unless we also assure that there will be more of a Federal role in the administration of the program based on uniformity, then we really have not improved the situation significantly.

Of course, this is not a legislative committee. We are just speculating here this week on different programs, but this is an area that deserves great attention and great emphasis.

Mr. VENEMAN. I think we have to be very practical about this and recognize that we have more than 50 different kinds of administration of public assistance programs because of the existence of county administration in many States. One of the most difficult things to do is to change from a locally administered program to a State administered program. I sat for several years in the California legislature when each year the bill was introduced to take counties out of administering public assistance, but the bill never passed.

I think that the existence of county administration is one of the major problems we have in administering the welfare system because it produces wide variations—variations which are both illogical and inequitable—in how the program is operated within the States. The result is a more cumbersome and complicated system which treats persons equally in need differently just because they live in a different part of a State. With the kind of incentive included in the Family Assistance Plan bill to induce States to opt for Federal administration of these welfare programs, we are going to relieve the system of some of the problems which were not necessarily the problems of the States themselves but rather problems associated with local or county administration.

Senator **Dole**. Having worked with the Board of County Commissioners of a small rural county in Kansas, I know much time is devoted to welfare programs by the commissioners, with the Federal Government supplying a great portion of the funds. I do not recall the breakdown between county, State, and Federal Governments, but in our State of 105 counties there were probably 105 different interpretations of how the law should be applied and what recipients should receive. When you multiply that by all the counties, plus the States, I can understand why there is a certain amount of frustration on the part of the recipient as well as on the part of the nonrecipient. Most of the critical mail we receive is not directed so much at the fact that people are on welfare but at the way the program is administered in some areas.

I share the view expressed by the chairman that most people prefer not to be on the welfare rolls. Administration of the program is almost as important in some areas as the exact dollar amount. We must have a reasonable floor, but we must have aggressive and effective administration if this assistance is going to be of any value to those people who receive it.

Mr. **Veneman**. I am not going to suggest that setting up the administrative structure for the new program is not going to be a tremendous undertaking, assuming that the bill is enacted in the next 12 months. We have people working on it now.

Senator **Dole**. HEW, of course, is the repository for all the most complex problems, whether in schools or welfare.

Mr. **Veneman**. We are going to share this one with Labor, Senator.

"WHAT WE NEED ARE JOBS"

Senator **McGovern**. Mr. Secretary, I continue to be concerned about how you are going to actually administer this mandatory work requirement.

Isn't it a fact that the overwhelming majority of the people drawing welfare really want to work, they prefer to work? That being the case, it seems to me that the writing of a provision into the law that you either have to work or sign up with some kind of job training creates all kinds of hazards. It would seem to me the principal difficulty is not the lack of incentive to work but the lack of jobs, the lack of day-care centers to take care of children, and the lack of adequate funds to provide for job training. I wonder if you are not creating a whole range of frustrations here and leaving the impression that somehow sizable numbers of people are drawing welfare simply because they lack the incentive to work. I don't think that is true.

Mr. **Veneman**. The lack of incentive, of course, is one of the things we are trying to correct. I don't think we are leaving any misimpressions here because we are trying to change the structure of job training, job upgrading, registration and job referral.

Under the present WIN program, for example, the major decision as to whether or not the person is appropriate for work or whether or not they should be assigned to training is determined by the Department of Social Welfare.

Under the new system if a family assistance recipient were among those who were required to register for work they would automatically be registered with the Department of Labor, at which time you would utilize all the resources of the Department of Labor to get them into the training programs, into job upgrading, or directly into a job if one is available.

I think one of the problems we have had in the past is the lack of communication and coordination between the two departments, the Department of Employment and the Departments of Social Welfare within States under the old WIN programs. I think it has been one of the major weaknesses of the present system, that there has not been any close relationship or a clear assignment of responsibilities between these two departments and their respective local agencies.

It is a lot easier for an employment office, for example, to take care of those who are recently out of the job market, who are recently unemployed and not on public assistance and assign them to work than it is to worry about somebody who has been referred there from the Department of Social Welfare.

I think a lot of these problems will be alleviated by the new coordinated system. I think it will also alleviate a lot of false hopes that have occurred in some of our manpower training programs and other programs where people have been in fact trained with the full intention and hope that they are going to get a job and find that there is not a job on the other end.

I think if we coordinate some of these things we will probably have a very effective job training program versus the fragmented situation that we have now.

Senator McGovern. Are you familiar with the speech or the news report on Mr. Twiname's appearance here at a meeting in Washington some time ago where he addressed himself to the question of the work requirement, work incentive feature of the program?

Mr. Veneman. I am not, Senator.

Senator McGovern. I was just handed a news article from the Washington Daily News. Let me read you a couple of paragraphs of it. I would be interested in your response to it.

> An official of the Health, Education, and Welfare Department has called the mandatory work provision in the Administration's welfare plan more form than substance, speaking yesterday at a plenary session of the 3-day Washington Institute of the National Council of Jewish Women. John Twiname, Deputy Administrator of HEW's Social and Rehabilitation Service, said. "The question of requiring welfare recipients to work is almost begging the question" Twiname told delegates that the belief that most people would rather collect welfare than work is a "condemnation by anecdote." Later he added, "It is a myth based on isolated examples." Then he went on to say, "By including a provision requiring welfare recipients either to hold jobs or be learning new skills the Administration hopes the dispel the myth.", indicating that the main purpose of the provision is political, he said, "The average taxpayer is concerned about those who are taking advantage or abusing the service." But he insisted that the majority of people on welfare are not chiselers but are people in desperate need.

The thrust of what he is saying is that the Administration understands that it is a myth, that people are on welfare because they don't want to work, and that this provision of mandatory work or job training is really designed to dispell a myth. He is saying it is more form than substance. That is really the thrust of the question I put to you here a while ago.

Mr. VENEMAN. I don't think there is a total inconsistency here. I don't disagree with the latter part of Mr. Twiname's statement. I concur that most people are on welfare because of need and that the fraud aspect of it is overemphasized.

I think when you look at the total program being proposed by the administration, in which you do have the coordinated job training activities, where you do have the incentives to work, both of which the present system does not really provide, that many of these people who have to make the basic decision as to whether or not to enter a job training program and go out and seek work or stay on the public assistance program where they may be better off will make the decision to go out and seek work where they have some opportunity to have more cash dollars in their pockets.

Senator McGOVERN. Mr. Veneman, I think what bothers me is that we know there are large numbers of people who are looking for jobs who can't find them. The unemployment rate is now 4.2%.

All the predictions are that it is headed considerably higher than that. It just seems to me to be rather strange to recognize that fact, that there are people who want to work, who can't get jobs, then to admit that people are not on welfare because they are lazy but because they are in need, and then to say we need a mandatory work requirement.

What are we going to do with these people?

Mr. VENEMAN. Let me respond briefly.

I think another thing we have to look at, to put it in total context, is the help wanted ads in the papers, too.

Senaor McGOVERN. Yes, but those are for computer operators or physicists. In States like South Dakota they are often for jobs in a distant town or another State.

Mr. VENEMAN. Not entirely. There are a lot of them that are lower skilled jobs for which many poor people could qualify if they had some additional education or job training.

Senator McGOVERN. Do you think we have enough money in this program as proposed to provide that kind of training to take care of these people in enough numbers to really make it a significant answer?

Mr. PATRICELLI. Mr. Chairman, let me suggest that the fact that there is a work requirement or a mandatory work provision does not mean that the administration believes that most people are on welfare because they are lazy. That is a non sequitur.

Senator DOLE. Isn't there a work requirement now?

Mr. PATRICELLI. There is in the present law a requirement, as well. I point out that is a non sequitur. The work requirement is very important, not necessarily because the administration believe that it is going to be the operational element that will get many of these people, these employable people, into work. We do recognize and the testimony recognizes that most welfare recipients want to work, but there will be some for whom a mandatory requirement is necessary.

As a matter of principle, and important principle, I think we believe that people should not be allowed to refuse a suitable job if they are able-bodied and simply wish to stay on welfare. Unless you are willing to accept the opposite of that principle, I think you have to go along with the idea of a work requirement for whatever number may be involved.

Senator **McGovern**. Who will be the person or officer who determines whether people have met that requirement? How are you going to prevent what might amount to a kind of purge of the welfare rolls designed to put pressure on people to take jobs where the pay is not fair or the job is demeaning.

It seems to me there is a danger of arbitrary officials on the local level using that device, as some have in the past, to get cheap labor and force people into grossly underpaid demeaning jobs. It seems to me a better way to get people off welfare and into the labor market would be to provide the decent jobs.

Mr. **Veneman**. I don't think that will occur.

We have written into the bill that passed out of Ways and Means provisions that define suitable employment and it is defined essentially as it is in the unemployment insurance bill.

Senator **McGovern**. In a nutshell, what do you mean by suitable work or suitable employment? I don't mean the exact quote, but roughly what does it mean?

Mr. **Veneman**. It essentially means that the job will be one for which the person is qualified. The job would be paid at the minimum or prevailing wage, whichever is higher. If we have a copy of the bill here, we can read it. It is only three or four lines. It is essentially the same language as defined in the unemployment insurance program.

Mr. **Patricelli**. There are two parts to it. It says first a "suitable" job. I might add that the work requirement in the present law does not have the word "suitable" in front of it. I think this is an improvement by way of specificity.

It says that the Secretary of Labor must take into account someone's previous education, work experience, skill levels, distance to the job, health, and safety. And second, specific provisions are written in as to wages and hours.

I think the most important part of the definition is that a job, a "suitable" job, must pay the applicable Federal, State, or local minimum wage if it is a covered job, or it must pay the prevailing wage if it is not.

Senator **McGovern**. If that work requirement is in the existing system, what is the difference then? What are we proposing here in the way of new guidelines?

Mr. **Patricelli**. I think the problem with the work requirement in the present law is, first, its vagueness with regard to things like suitable job and, second, that the whole WIN program or work incentive program was not effective. There was not this connection with the Employment Service by way of a mandatory registration feature so that the person got into the job training or the employment stream.

There was not within the welfare law, itself, proper incentives to go to work. We would not suggest that the administration discovered the idea of the mandatory work requirement.

Senator DOLE. Do you provide some exemption in yours that is not available in the others? I think according to your statement, a family with children under six, which is a departure from present law.

Mr. PATRICELLI. Yes; it is.

Mr. VENEMAN. I think there are five or six specific exemptions. If any of these exceptions apply then you are not required to register.

Senator DOLE. If there are no jobs available you are not penalized, are you?

Mr. VENEMAN. No.

Senator DOLE. Who makes the determination on suitability? If there is not that type of employment in the area, are you required to relocate?

Mr. VENEMAN. No. As a matter of fact, there is a provision in the bill that provides for payment of relocation expenses if there is reasonable assurance that there is a job on the other end. But this applies only if an individual voluntarily chooses to relocate.

Senator DOLE. Certainly the great majority of the people want to work, but there are some who don't want to work, and they are living in all parts of the country. They are not all in any one region or in one State, or of one color.

This is a good provision in that it recognizes some of the practical aspects—not in a partisan political sense—in some of the deep-seated feelings not only of the taxpayers but of taxpayers who represent other taxpayers in Congress. No one wants to pass some program that permits people, who don't want to work, not to work and to receive the benefits.

If they are able to work, are not tied up with family obligations and there is suitable employment available, they should work.

Mr. VENEMAN. That is essentially what the bill says.

Senator DOLE. I see nothing wrong with this principle.

Mr. VENEMAN. The major difference from the present system, Senator, is the fact that all potentially employable persons receiving assistance will be known since they must register in order to receive benefits.

Senator DOLE. You don't have to go back too far in the House of Representatives to find out what the vote was a couple of years ago, on aid to dependent children. It probably went too far, because there was no exemption provided for working mothers. This proposal does indicate a sense of realities and you faced up to them realistically.

Senator MCGOVERN. Mr. Secretary, I think there is a general recognition in the Administration and elsewhere that the $1,600 figure is a beginning point and you would like to see the program improve as we move along.

What would be wrong with including a provision in the bill for a step-up along the line that Senator Harris has proposed? Maybe not exactly at the figure he suggests. Why not, for example, a provision that we begin in the current fiscal year with $1,600 and then in the following fiscal year we move it up another step and so on over a 3- or 4-year period so that we have some indication in the authorizing legislation that we are serious about improving this program.

Mr. VENEMAN. Of course, some of the constraints there would be not only fiscal but would also include the factors that Mr. Patricelli pointed out when he suggested that you can't look at the minimum benefit level in an isolated way. You have to look at what it does to the tax rate, where the break-out point is, the other adjustments that have to be made.

I think there is one element of increasing Federal participation already built into the bill as it left the Ways and Means Committee. That is that our participation in the supplemental would be adjusted annually to the poverty level. So that, as the State is willing to increase their levels we will be willing to increase our participation in Federal dollars.

But, I think that before we can suggest that we build it up $1,600 this year, $1,800 next year and so forth, we have to look at the fiscal problem and also the break-even point.

Mr. Patricelli. It is very, very expensive, as the submitted testimony points out.

Frankly, we felt we are not able now to take what may be a relatively small growth each year in the HEW budget or in the executive budget and to say now we want to obligate 50 or 60 percent of that to this program. It is something you tend to want to reserve for decisionmaking each year after looking at your priorities.

Mr. Veneman. There is another factor that we have to emphasize and that is that traditionally the States have increased their grant levels with the exception of a few. We have seen a continuous trend of increased grant levels in the AFDC program and in the adult categories. I would anticipate that they would continue to do this.

I would anticipate that if they know we are matching to the poverty level there will be pressures in the State legislature to increase their supplement always to that point.

Senator McGovern. Mr. Secretary, we are going to have a vote here very shortly on the Senate floor but there is one other question I wanted to direct to you on another matter and that has to do with the nutritional survey that I mentioned to you prior to the hearing today.

Our lead-off witness in 1969 was Dr. Arnold Schaefer. He appeared in January 1969. He told us at that time that all 10 of the State nutritional surveys would be completed by the end of 1969, December 31. He told this committee he would give us the final report no later than March of this year, 1970. Now the time has come and we don't have the final report. It is our understanding that the 10 State surveys have not been completed. We have not even had a progress report on what is going on in the individual States.

Can you bring us up to date on the status of those surveys?

Mr. Veneman. Yes.

Anticipating your question, Mr. Chairman, I asked that this be made available to me this morning. Field work has been completed in seven States, and in upper New York State. Three field teams are still collecting data. They are in New York City, South Carolina, and Massachusetts.[1]

An interim report of the survey is being prepared and should be completed by April 10, which will cover 35,000 individuals from five States which will be Texas, Louisiana, Kentucky, Michigan, and upstate New York. I can submit this to you.

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[1] See Status Report on the 10 State National Nutrition Survey, on p. 283.

The report is not in a form for submission to the committee but I can give you a State-by-State breakdown of the status if you would like that.

Senator McGOVERN. I wonder if you could give us a report in writing as soon as possible and update it because I think that is information that the committee ought to have and we ought to make available to the public as to where that survey is.

I would hope, based on what Dr. Schaefer told us, that you could stay on the timetable he outlined at the beginning of last year. We have not done the job yet in getting on top of the hunger and nutrition problem. We do need this information.

The House of Representatives still has not acted on either the food stamp or the school lunch bill. I think there is a sizable number of people in the other body who still question the extent of nutrition, malnutrition, in the United States. And, completing this survey as quickly as possible, in my judgment, is absolutely essential information. It gives us hard, dependable statistics based on actual surveys and measurements.

I would hope that the Department would do everything possible to move those surveys to completion as quickly as possible.

Mr. VENEMAN. We certainly will, Senator. I think that probably the earliest report available would be the interim report on the five States of April 10th.

As I look at the problem in some of the States, I would say that Massachusetts is probably the farthest behind. They anticipate editing corrections will probably be completed by June for Massachusetts. As material becomes available, I am sure we can make the interim report available to you.

Senator DOLE. I recognize we are about to have a vote, too.

If you would furnish us some information, I think all of us discussed the basic question we don't want people to misunderstand the administration's position. It is a remarkable breakthrough, as far as I am concerned, in the entire approach. But there is a wide-spread feeling that $1,600 is it, this is all there is.

I would hope you might furnish information at least to us as members of the committee and perhaps also for the record, if you can

Mr. VENEMAN. We can do that, Senator. We have material developed on a State-by-State basis, that shows what grant levels are under the old programs and what they would be under the new proposals. For the most part, in the families program there would be increases in eight or 10 States. The others would presumably remain the same unless the legislatures took action.

There would be substantial increases in the adult categories in a good many States. As I indicated in the testimony, for the aged couples, they will be brought up beyond their poverty level by the new basic standard.

Senator DOLE. I think it would be a help to all of us, also perhaps for the people who live in our States, to know the total picture. I am certain it has been available. It is probably our fault we don't have it but it would be helpful.

Mr. VENEMAN. We will make all that information available to the members of the committee.

Senator McGovern. Senator Javits.

Senator Javits. I am told by the Chair you have had a thorough going-over.

Mr. Veneman. And a very delightful going-over, Senator.

Senator Javits. I am very glad to have gotten here in time to recognize the testimony of Mr. Patricelli who used to be my assistant on the Labor and Public Welfare Committee. I think this is the first time he has been before us. I am very pleased to welcome him and congratulate him on the fine job he is doing in the Department.

I had two points I would like to leave with you and I won't trouble you with questions.

I am deeply convinced, and I hope the administration will share that conviction, that the family assistance plan, which is admirable and will probably be one of the finest things the Nixon Administration will be responsible for, is a very fine addition to the food stamp program and a fine addition to the welfare package.

I think that with stamps, the package becomes meaningful and answers many of the objections that it is too low. Without stamps, it suffers seriously from deficiency. I see no reason why they cannot be coordinated. The Senate has certainly shown its position on that with its fine vote on the school lunch program which brings in the free lunch program to many more children from welfare families.

The second point, which I think is critically important, is daycare. I cannot emphasize to the Department enough what daycare can mean to all the aspirations of those in Government, both liberal and conservative. We all certainly agree that people should have the chance to work. And to the working mother, the youngest, most eligible rehabilitated member of the welfare client group, daycare which is fearfully inadequate because municipalities do not have the money, is the answer.

I hope you gentlemen will be as resourceful with day-care as we are trying to be in furnishing food. We are now expanding food programs, with your help and the Department of Agriculture's, to include the private sector. There are enormous opportunities for that in day-care.

As much as I appreciate, in some cases, the need for bricks and mortar, you don't have to spend much on these items if you utilize the private sector. Industrial concerns can be greatly encouraged, through intelligent handling of money and training, to have day-care centers of their own, as trade unions, churches, and many other groups.

In my judgment, it is the key to unlocking the door of self-reliance for the welfare client.

Finally, I hope very much that the Department will give the most sympathetic consideration to the effort to help States which have maintained high standards. This can be accomplished through sharing some percentage of the highest standard of welfare payment with them as the House of Representatives now is going to ask.

Those are the observations I would like to leave with the Department.

If the Secretary or Mr. Patricelli desire to make any comment, I will be very appreciative.

Mr. Veneman. Senator, I think we have responded to most of those points in the testimony.

First, the food stamps would be linked into this particular program.

Secretary Hardin and Secretary Finch have indicated that ultimately the food stamp program will become a part of the functions of HEW.

Second, as a component of the work-training provisions the measure contains $386 million for day-care which I think is the largest single effort in day-care which has even been proposed. The House Ways and Means version of the measure provides 100 percent Federal matching for day-care projects.

Third, the sharing arrangement with the States, 30-percent Federal participation in the State supplementals, was worked out in the committee with our concurrence, and, in fact, through our initiatives to find alternatives to the 50-90 rule after having met with some of the representatives of the larger States that indicated some of their concerns in the State sharing.

Senator JAVITS. In response, I would like to point out that the estimate of day-care needed to day-care slots available is something like 10 to 1. Yet, roughly $400 million, frankly, is a drop in the bucket unless you use it for leverage. That is why I urge upon you the ingenuity and the initiative.

This is a Republican administration interested in private enterprise and there are tremendous resources which can be enlisted with the use of a little wit and a little proselytizing effort.

I hope very much that the Department will not fail to press this opening. Because you do have more money gives you all the more leverage to do what I suggest. I beg of you not to assume that the job is done because you happen to have more money than you had before. I think it is great but it is a drop in the bucket compared to what you need and what can be done with enlisting the private sector in a cooperative way in this very purpose.

(The prepared statement of Mr. Veneman follows:)

PREPARED STATEMENT OF UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE JOHN G. VENEMAN

A great deal has been said and written recently about the rationale, the costs, and the coverage of the President's opposed Family Assistance Plan. Rather than attempt to recapitulate all the provisions of the welfare reform package, I would like today to discuss the President's proposal in terms of its approach to the poverty problem in the United States, emphasizing in this discussion the reason why the Administration believes that the Plan represents the *best balance* currently possible among the often conflicting goals of preservation of work incentives, equity, efficiency in reducing poverty, and fiscal responsibility.

The relation between welfare reform and poverty is obvious. Public assistance, is by its nature, intended to help those in financial need. This simple relation tends to suggest a simple solution to the problem of constructing a welfare program with maximum anti-poverty effectiveness—that is, to construct rules which limit payments only to those most in need and least able to support themselves through their own efforts. This philosophy is essentially that which underlies our current AFDC program with its emphasis on stringent means tests, categorical exclusion of the seemingly able-bodied, and sharp reduction of payments as other sources of income increase.

Unfortunately, this solution has many undesirable side effects. For example, by limiting Federal payments to those seemingly least able to support themselves—female heads of families—we have created an incentive for fathers in low-paying or sporadic jobs to leave home so that their families can become eligible for welfare. The Unemployed Father portion of AFDC lessens this problem somewhat by providing coverage to families with unemployed fathers, but this program has been implemented in only 24 States, and enrollments in these States have been very limited. Furthermore, no Federal program currently provides assistance to the millions of families headed by a man who works but is still unable to provide sufficiently for his family. And yet over one-third of families in poverty are headed by a full-time, full-year worker.

This same attempt to achieve maximum poverty effectiveness by channeling payments only to those without other sources of income has caused a second basic problem—that of creating serious disincentives to work and problems of inequity vis-a-vis working heads of households. I think that this problem is best illustrated by considering a few cases of how AFDC currently treats working people.

As we have said many times, all too often in this country it is possible for working people to be better off on welfare. Take for example, the case of a working woman. If her earnings have been in excess of the State-defined need standard, she is not eligible for any type of welfare support.

However, a working mother who happens to be earning less than the need standard will be eligible for supplementation of her wages based upon the earnings incentive formula of "30 plus ⅓." In her case, she could easily have a higher *total* income, of earnings plus welfare, than our first woman who has only her earnings. Moreover, if a welfare mother increases her earnings so that they are above the need standard, she will still continue to receive welfare supplementation up to the break even point under the 30 plus ⅓ formula, and the discrepancy between her total income and that of the non-welfare woman will grow even greater. An example of this type of situation is given on the attached Table 1.

For the working man, the situation is even worse. Under AFDC–UF, only families headed by "unemployed fathers"—defined by regulation as those working no more than 30 hours per week—are eligible. This means that a father on welfare will be better off working as a result of the 30 plus ⅓ formula so long as he doesn't work more than 30 hours per week. If he takes a job in which he works more than 30 hours a week he is no longer "unemployed" under the regulation and he loses the supplementation to his earnings provided by welfare under the 30 plus ⅓ formula. The result is that he would often be worse off by working full time than by not working at all, or by keeping only a part-time job supplemented by welfare. This situation is described in Table 2.

It is critical to appreciate the fact that merely eliminating the restriction on the number of hours a man works is not sufficient to sustain the employment incentive. For while that proposal would create an effective work incentive for men *already on welfare*, it does nothing for the man working full time who is not yet on welfare but would be financially better off if he were. This is similar to the case of the working woman situation already described. Again, as in the case of the mother, a man working full time and receiving welfare under the 30 plus ⅓ formula by reason of the fact that he was once in the Unemployed Father category would often be much better off through his combination of wages plus welfare than the man working full time who was never on welfare.

To illustrate this situation I would like to refer to the attached Tables 3 and 4. Table 3 shows in selected States what a nonwelfare working family must earn to be as well off as a welfare family with no earnings. For example, welfare will pay a four-person family in Arkansas $95 per month. For an Arkansas wage earner to be as well off after deductions for work expenses as a welfare family, he must have gross earnings of $115 per month. In California, welfare pays a four-person family with no other income $221 per month, which is equivalent to a working wage of $288 per month. Perhaps the most disturbing figure of all is the one showing the hourly wages in the various States which a working man must earn in order to be better off on the job than on welfare. The conclusion is obvious; in many of these States you're better off on welfare than working at a low wage job.

Table 4 presents this information in a different way and perhaps even more starkly. That table shows the net disposable incomes of a welfare family and a nonwelfare family which have the same earnings.

The amount of earnings chosen is the amount which the previous table showed as being necessary for a working man to earn to be as well off as a welfare family with no other income.

Thus, a welfare family earning $115 per month in Arkansas ends up with a net income of $190 per month as a result of the 30+⅓ and work-related expenses disregards, whereas the nonwelfare family—which must absorb its own work-related expenses—ends up with an estimated $95 per month. In California, assuming the two families each have earnings of $288 per month, the welfare family ends up with $371 whereas the nonwelfare family has only $221. The figures speak for themselves. If anything, the inequity is understated since the figures do not include the cost of day care and medical expenses which the welfare family often has available free, or at least on a deductible basis.

It is very difficult to measure the extent to which the simple economic fact that families can be better off on welfare has actually drawn people onto public assistance. There is a great deal of anecdotal evidence to suggest that is the case, and we know from surveys and from the New Jersey Experiment, that there is in fact a great deal of movement between working poor and welfare status. Table 5, taken from the "Report of Findings of Special Review of AFDC in New York City" and transmitted to the House Ways and Means Committee last year, presents some evidence on this point. That report ranked 11 cities by AFDC caseload per 1,000 poor persons in the population. It then compared that measure of the tendency of poor people to go on welfare to the degree of difference between expected earnings and welfare. As the report pointed out, there was a positive statistical correlation between the tendency to go on welfare and the lack of any clear benefit from working.

Similarly we cannot measure directly the impact of current welfare policy on family stability, although, again, there is ample anecdotal evidence on this score. It is interesting to note, however, that in the face of an overall decline in families in poverty of 3.2 million from 1960 to 1968, the percent of female-headed families in poverty has increased from 24 to 35%. Since 1966 there has actually been an absolute increase in the number of such families. At the same time the number of welfare recipients has doubled. The causes of this phenomenon are obviously rooted in complex social problems. Nonetheless, the preservation of a system which provides a *prima facie* incentive for family break-up, and which clearly discriminates against those of the poor who attempt to help themselves through their own efforts seems exceedingly perverse.

It is for these reasons that primary among the basic structural reforms of our welfare system that the President has asked are three:

1. Equal treatment of both male and female-headed families in the Federal welfare system;
2. Coverage of the working poor;
3. Strong financial incentives for the maintenance of work effort through provisions disregarding the first $720 of earned income entirely and a percent of earned income above that amount in the computation of benefits. The amount of disregarded earned income above the $720 exclusion will be 50% for those receiving Federal payments only and 33% for those receiving State supplementation.

Of course this increase in equity and favorable incentives is bought at a price. The most obvious cost is the financial cost of extending coverage beyond those with virtually no other income to those with some outside resources.

With a $1,600 basic benefit, a $720 initial disregard and a 50% so-called tax rate on earned income, the "break-even" point or upper income limit for eligibility under Family Assistance is $3,920. A $100 increase in the basic standard raises this "break-even" point by $200, thereby covering a considerable number of additional families as well as raising the payment to those already covered. Such a $100 increase would raise the cost of Family Assistance by about $400 million. The cost of the $720 disregard is estimated at $1.2 billion. Furthermore of the $3 billion Family Assistance Benefit cost, $2.1 billion will go to working poor families. In short, to preserve equities and incentives we must use some dollars which might otherwise be available to raise the basic minimum standard. We feel that this is a price well worth paying.

To buttress these financial incentives for work, the Family Assistance Plan includes a work requirement for able-bodied heads of recipient households. Many people criticize the inclusion in the plan of the work requirement which they feel is regressive and punitive. In fact, President Nixon's work requirement represents a significant improvement of the similar requirement found in the present law.

We are convinced that, as modified, such a requirement is critical. I think it is very much within the philosophy of the American people that persons who can work should do so, rather than be free to rely upon public assistance. This is certainly the view of many key members of Congress who work with this program, and I am convinced that no welfare reform proposal can succeed with the Congress or the public without a work requirement. Not only are there sound philosophical and political reasons for the requirement, but there is also evidence on the merits that it is better, from the point of view of the psychological well being of both the adults and the children in the family, that a parent work where that is possible.

Finally, when we look at the data on mothers with children between 6 and 17 but with no husband—essentially the same group of women who are required to register under Family Assistance—we see that 68 percent are already working, with 57 percent working full time. These are women in potentially the same circumstances as welfare mothers, yet they are working and paying taxes. Can we fairly ask this 68 percent to support through their taxes the minority who might choose not to work? For that is the moral problem—someone must pay for the freedom of the few not to work.

Equally importantly, it is our belief, supported by both anecdotal and research-based evidence, as well as our experience with the WIN program to date, that the vast majority of able-bodied welfare recipients will opt gladly for the chance to upgrade their skills and enter gainful employment if available. Let me cite a few statistics to support this contention:

> Between 70 and 80 percent of AFDC mothers have worked at some time or are now working despite the weak incentives for work provided by the current system.
>
> The Podell study of families on welfare in New York City shows that seven out of ten mothers on welfare replied they would prefer to work when asked "Would you prefer to work for pay or stay at home?" Moreover, six out of ten mothers on welfare with pre-school children said that they would prefer to work if day care were available rather than to stay at home and take care of their children.
>
> The majority of welfare mothers expect to work sometime. Again from the Podell study almost ⅔ of the mothers interviewed said they expected to work at some time in the future.

Thus we have included in the Family Assistance Plan provision for a full range of manpower-related services including counseling, training, job placement, and child care, to help recipients to secure, retain, or advance in employment. Included in the proposal as it has emerged from the House Ways and Means Committee is a provision for 100% Federal matching of day care projects, which is surely a major step in the development of this resource. The intent is to provide these services in a manner which will restore families with dependent children to self-supporting, independent, and useful roles in the community.

Thus we believe that dollars invested now in broadened coverage, provision of work incentives, and manpower-related services will pay off in the future in terms of increased financial independence, improved self-esteem and self-development. At the same time we would hope to eliminate or at least minimize incentives for those currently working and not on welfare to fall back into dependency.

Thus far I have stressed those features of the President's proposal which represent careful balancing of the incentive features inherent in any income maintenance scheme. I have indicated that it is expensive to construct a proper system of work incentives. I think it is equally important to stress that we have still purchased with our Family Assistance dollars a major attack on the poverty problem in the United States.

It is obvious that a program which provides a basic benefit below the poverty line will not eliminate poverty. However, programs such as the Family Assistance Plan which are tailored to family size and income, channel the bulk of the payments to the poorest, and thus have the greatest impact on poverty reduction.

The most obvious improvement is in terms of coverage. Family Assistance will cover 65% of all the poor and *100% of all poor families with children* as well as a considerable number of low-income families above the poverty line. AFDC currently covers only 17% of the poor and 35% all poor children in the country. Although FAP payments to the families-with-children category will not be sufficient of themselves to move the majority of these families out of poverty, almost 2 million persons in these families will be moved across the poverty line and an additional 500,000 across the low-income line. In addition, the proposed establishment of a minimum benefit level of $110 per person for aged, blind and disabled recipients (originally $90 in the President's plan but raised to $110 by the House Ways and Means Commitee) will of itself lift all aged couples considerably above the poverty line of $2,071 for such families. For a single person the benefit will provide an income of 80% of the poverty line exclusive of Medicare benefits.

Furthermore, when the President's Food Stamp proposals are included in the overall welfare package, they produce a combined basic subsidy for a family of 4 of some $2,464 per year ($1,600 in FAP and $864 in stamp bonus), or about 68% of the poverty line for such a family. This is, incidentally, in excess of the basic payment recommended in the plan proposed by the Heineman Commission. Since the Family Assistance Plan mandates continuation of State supplementation at either current levels or the poverty line, whichever is lower, supplementation will raise the basic payment even further in 42 States.

Taken together, the Family Assistance and Food Stamp transfers will of themselves reduce the poverty gap in this country by about 60%. The manpower provisions of the plan should extend this reduction considerably further in years to come.

Another important improvement in poverty-effectiveness is the establishment of a Federally-financed payment floor. Although the establishment of a Federal floor is an important step in eliminating the extreme variations in payment levels which exist from State to State, in 8 States the $1,600 standard alone will exceed current welfare payments and raise benefits for about 20% of present recipients.

This step towards establishment of national welfare standards is another of the basic structural welfare reforms the President proposes. A move in this direction will, by its nature, put more Federal financial resources into those States currently having relatively low benefit levels in their welfare programs than in those with more liberal programs. Of course these are also the States with the largest concentrations of poor people and the lowest financial resources. In fact, some of these States currently make a higher per capita contribution to welfare than much richer States. Furthermore, we feel that basic structural reform looking towards the long-term requires a strong step in the direction of a uniform Federally supported floor. The Federal Government is currently involved in a system in which the Federal Government does not control the allocation of its own resources to poor children. Because of the nature of the matching formula, and the fact that the States control how much benefit shall be paid, the Federal share of that benefit or the Federal payment per AFDC child varies widely from State to State.

A few examples, Illinois, $22 per month per child; Mississippi, $8.50 per month per child; and New York, about $33.

So we are in a system where the Federal Government treats children in similar circumstances differently. That is not logical; it is not equitable; and in those States where the benefit levels are very low and the Federal payment levels are low, this kind of inequitable treatment simply leads to added cost for the Federal Government later on in terms of remedial programs.

Of course, a possible extension of this move to Federal uniformity would be an assumption by the Federal Government of all State supplemental programs. This move, however, would be prohibitively expensive—far in excess of the current $4 billion in State revenues now used for welfare programs. This is simply because to achieve the desired national uniformity without penalizing anyone currently on welfare we would have to set the national standard at that of the highest State. Since State break-even points for a family of 4 range up to around $7500 under AFDC, we would be providing coverage to almost half of the families with children in the country. For this obvious reason we have chosen instead to provide full Federal financing for a minimum benefit level only. Under the bill as amended by the House Ways and Means Committee, we will also provide 30% Federal matching of State supplementation for payments up to the poverty line. This provision will, together with the changes proposed in Federal matching for the aged, blind and disabled, provide some $520 million in fiscal relief to the States.

Equally important in the move towards a national welfare system is the establishment of uniform eligibility standards nationwide for both Family Assistance benefits and State supplementary payments, and the provision of strong financial incentives to the States to opt for Federal administration of both programs. AFDC as it currently operates is essentially composed of some 54 disparate systems, each with its own definitions of need standards, assets tests, incapacity tests, requirements for school attendance and age of children, and its own provisions for income exclusions and inclusions. Furthermore, the day-to-day administration of the program has varied widely, both from State to State and from locality to locality, in terms of equitableness and responsiveness to recipient needs. This variance in policies and procedures is well documented by this Committee's recent report on "Cash and Food Programs in Virginia". The establishment of uniform eligibility standards and the provision of 100% Federal financing of administrative costs for States opting for Federal administration of either or both programs may well have *more practical consequences* in terms of the fairness, acceptability, and ultimate effectiveness of public assistance than any other provisions of the welfare package.

There are of course numerous possible ways of approaching the objectives of structural reform, equity, uniformity and preservation of work incentives which I have mentioned.

Before concluding my remarks I would like to comment briefly on some of the other most widely discussed proposals for welfare reform, with the idea of highlighting some of the reasons for our particular choice of features for incorporation in the Family Assistance Plan.

Similar in many ways to the President's proposed plan are the plans proposed by the Commission on Income Maintenance (the Heineman Commission) and by Senator Harris of Oklahoma. The Heineman Commission Plan would provide a $2,400 cash guarantee to a family of 4, with no initial earnings exemption and a tax rate of 50% on all nonwelfare income. It would also provide coverage for all poor persons including childless couples and unrelated individuals. The Food Stamp program is eliminated. Net benefit costs of the plan are estimated at $6 billion in 1971 as contrasted with $3.5 billion for the Family Assistance Plan.

Senator Harris' Bill goes further in providing a basic Federal guarantee of poverty line income ($3,720 for a family of 4 currently), with full Federal assumption of State welfare programs over a 3 year period. Using the same cost estimating model used for Family Assistance, we have estimated the costs of this proposal to be some $12.5 to $17 billion, rising to between $25 and 37 billion by 1973. The range of costs depends upon the assumptions made as to liability for regular income tax. Furthermore, costs are restricted to even this high level only by applying a very high 75% tax on income beyond $225 a month for a family of 4.

A more radical departure from the structure of the Administration's reform proposal is presented by proposals for universal Children's Allowance programs. Such a plan was recently described by the Chairman of this Committee. The plan would provide grants of $600 to $780 a year for each child to all families in the U.S. regardless of income. The present personal income tax exemption of $600 for children would be abolished, and the allowance itself would be taxable as income.

There are several reasons for arguing that such a plan should not really be considered as an anti-poverty program alternative.

1. The plan is extremely expensive: According to the President's Commission on Income Maintenance the gross of a $50 per month allowance would be over $41 billion. Taxation of the allowance and elimination of children's exemptions would reduce the cost only to $28 billion, while undermining some of the alleged advantages of the universal approach. Raising this amount of revenue through the personal income tax would entail a *33% increase* over 1969 personal tax liabilities. This compares with a total cost of $3.5 billion for the Family Assistance Plan.

2. The plan is ineffective as an anti-poverty device: Of the total $41 billion gross transfer, only about $6 billion, or 15% would go to families below the poverty line for the simple reason that the great majority of children in this country are not poor. In contrast, the much less expensive Family Assistance Plan would transfer about $2.5 billion to the poor, and the plan proposed by the Commission on Income Maintenance would raise the income of the poor by about $4.4 billion at a cost of $6 billion. Moreover, a Children's Allowance would do nothing to raise the income of childless couples and single individuals who comprise 37% of all poor families and 63% of all poor households. The same is true of the Family Assistance Plan with regard to non-aged, able-bodied individuals and childless couples, although the inclusion of the aged, blind and disabled makes its coverage of the needy far more adequate. Furthermore, Family Assistance could easily be broadened in the future to include households without children while a Children's Allowance Plan, by its very nature, could not.

3. The plan is inequitable viewed as an anti-poverty device: Under a Children's Allowance, the redistribution from the non-poor to the poor is much less signifi-

cant than the redistribution from small families to large families. Under the present tax structure, a childless couple pays personal income tax on any income above $1600. If the plan is to be financed by an across-the-board tax increase, such poverty level households would be required to partially subsidize large families at many times that income level. Even if the tax increase were structured to exempt the very poor, there would still be massive redistributions upward in the income structure. For example, a childless couple with taxable income of $4000 would receive no benefits and would pay added taxes of over $200, while a family of six could have a taxable income over $15,000 and still receive a positive net benefit.

On the other hand, one possible potential advantage for such a program is that, inasmuch as it is paid to all families with children regardless of income it may be said to be non-stigmatizing. Unfortunately, since the payments to poor families are so low ($1200 per year for a family with 2 children), even at this high cost, most poor families would still have to remain on welfare in any case.

Clearly a children's allowance program would involve a major revamping of our tax and transfer system. Whether there is political support for such an overhaul would require considerable study. In any case, it is certainly difficult to justify as an anti-poverty device a program which would require low income childless couples to subsidize large families with three to four times as much income.

I will briefly mention a few other possible income maintenance approaches.

It is sometimes suggested that the minimum wage should be increased significantly enough to take low income workers out of poverty. It is true that many workers and their families could then receive considerably higher incomes. But those who cannot work, those with large families, and those whose jobs are eliminated because of the increase, will not be helped out of poverty. In general, it is not realistic to force wages, which should by their nature be related to worker productivity, up to the point where they will be adequate for large families. For these persons and others who cannot work, we must devise measures which are specifically related to their income needs.

Because of the popularity and success of social insurance programs for middle-income earners, it is sometimes suggested that such programs as Social Security and Unemployment Compensation be expanded for use as anti-poverty measures. But stretching these programs to meet the income needs of the poor—a purpose for which they were not designed—is unsatisfactory for several reasons:

1. First, many of the poorest people cannot work, and thus could not be covered under any reasonable contributory system;
2. Second, raising the minimum benefit for the lowest wage earners would break altogether the link between contributions and benefits.

I think we must preserve the faith of the American people in the soundness of the social insurance programs. Clearly the most efficient and most cost effective way of assisting low-income persons is through measures which are based on need. We believe that the Family Assistance Plan represents a carefully balancing of this objective against the demands of equity, preservation of incentives and human dignity, and the constraints of fiscal responsibility.

TABLE 1.—TREATMENT OF WORKING WOMEN UNDER AFDC—ASSUME A STATE WITH A $3,000-NEED STANDARD AND PAYMENT LEVEL

	Earned income	Welfare grant	Net income
Mother, earning $2,500 with $420 in work-related expenses, is eligible for welfare	$2,500	$1,781	$3,961
Mother, earning $3,500 with an estimated $420 in work-related expenses, is not eligible for welfare	3,500	0	3,080
Mother, already receiving welfare, increases her earned income to $3,500 with $420 in work-related expenses, and remains eligible	3,500	1,161	4,341

TABLE 2.—INCENTIVE FOR MEN TO WORK PART TIME UNDER AFDC-UF—ASSUME A STATE WITH A $3,000-NEED STANDARD AND PAYMENT LEVEL

	Earned income	Welfare grant	Net income
Father works 20 hours a week at $1.70 an hour; earn $1,664 a year with $210 in work-related expenses, is eligible for welfare	$1,768	$2,197	$3,775
Father works full time at $1.60 an hour with an estimated $420 in work-related expenses, is ineligible for welfare	3,536		3,116

TABLE 3.—WHAT A WORKINGMAN MUST EARN TO BE AS WELL OFF AS A WELFARE FAMILY—BASED ON DATA AVAILABLE, JANUARY 1970

	Welfare payment to 4-person family with no income (per month)	Required gross earnings for 4-person nonwelfare family to achieve same net disposable income as a welfare family [1]	
		Per month	Hourly wage
State:			
Arkansas	$95	$115	$.67
California	221	288	1.67
Illinois	269	319	1.85
Massachusetts	307	372	2.16
Michigan	263	333	1.94
New York	313	383	2.23
Ohio	199	253	1.47
Oregon	219	279	1.62
Wisconsin	198	258	1.50

[1] Assumes that work-related expenses are equal to the average allowance for work-related expenses including taxes currently made in States shown. These work-related expenses do not include day care costs.

TABLE 4.—COMPARISON OF THE NET DISPOSABLE INCOMES OF 4-PERSON WELFARE FAMILIES AND NONWELFARE FAMILIES EARNING THE SAME AMOUNT OF WAGES—MONTHLY ESTIMATES FOR SELECTED STATES—BASED ON DATA AVAILABLE JANUARY 1970

	Amount of earnings (1)	Net disposable income of a welfare family earning the amount shown in col. 1 [1] (2)	Net disposable income of a nonwelfare family earning the amount shown in col. 1 [1] (3)
State:			
Arkansas	$115	$190	$95
California	288	371	221
Illinois	319	395	269
Massachusetts	372	451	307
Michigan	333	394	263
New York	383	461	313
Ohio	253	356	193
Oregon	279	394	219
Wisconsin	258	345	198

[1] Assumes that work-related expenses are equal to the average allowance for work-related expenses including taxes currently made in States shown. These work-related expenses do not include day care costs.

TABLE 5.—RELATIONSHIP BETWEEN EARNINGS OF AFDC MOTHERS, AFDC GRANT LEVELS, AND CASELOADS PER 1,000 POOR PERSONS IN THE POPULATION, FOR 11 CITIES

City	Median best wages[1] (1)	Grant level (2)	Difference between (1) and (2) (3)	Caseload per 1,000 poor persons (4)
New York, N.Y.	$274.56	$278.00	−$3.44	200.7
Philadelphia, Pa.	237.60	213.00	24.60	84.1
Providence, R.I.	264.00	266.00	−2.00	76.7
Chicago, Ill.	264.00	279.00	−15.00	72.5
San Jose, Calif.	315.04	221.00	94.04	71.8
Phoenix, Ariz.	230.56	134.00	96.56	41.7
Rochester, N.Y.	281.60	278.00	3.60	40.9
New Orleans, La.	220.00	116.00	104.00	39.7
Atlanta, Ga.	221.76	125.00	96.76	36.4
Memphis, Tenn.	220.00	120.00	100.00	32.0
Raleigh, N.C.	220.00	144.00	76.00	23.7

[1] Self-reported, highest wages of AFDC mothers as reported in survey interview.

Note.—Cols. (3) and (4) have a statistically significant correlation of −0.57.

Source: Pps. 43 and 84, Report of Findings of Special Review of Aid to Families with Dependent Children in New York City transmitted to the Committee on Ways and Means by the U.S. Department of Health, Education, and Welfare and the New York State Department of Social Services on Sept. 24, 1969.

Senator **McGovern**. Many thanks, Mr. Secretary, and Mr. Patricelli, for your testimony and for being so responsive to the committee. We appreciate it.

The committee will be adjourned.

(Whereupon, at 12 noon, the special committee adjourned, to reconvene at the call of the Chair.)

APPENDIX

(Senator Edward M. Kennedy (unable to attend this week's hearings on hunger and the income gap), has submitted the following statement for the record:)

STATEMENT BY SENATOR EDWARD M. KENNEDY

Mr. Chairman: From Dr. George Wiley, Mayor John Lindsay, Reverend Jesse Jackson, Senator Fred Harris and others, the Nutrition Committee has heard expert testimony this week on the critical need for an effective system that will put a decent income into the pockets of the poor.

Mayor Lindsay cited the nightmarish difficulties involved in running New York's welfare program through three levels of government administration.

Dr. Wiley and Reverend Jackson talked of their personal involvement with those who suffer the results of deprivation and neglect because they are poor. They call for an absolute and immediate end to the needless hunger and suffering of America's families.

Senator Harris described his proposal for a program to guarantee an adequate income floor for every needy family. Although I was not here during this week's testimony, I know that each of the witnesses who appeared has given very valuable evidence why income maintenance programs can be so helpful in eliminating hunger by closing the income gap.

I have for a long time, been convinced that the best way to improve the diets of the poor is through increasing their income. We know that adequate nutrition is available only through substantial outlays of the average family budget. Yet, we decry the poor for their deficient health and malnourishment, while refusing to provide for them the funds needed to buy sufficient and nutritious foods.

The OEO recently published preliminary results of its New Jersey work incentive experiment. In that experiment, low income families receiving supplementary benefits tended to follow buying habits similar to those of more affluent families. It is results like this that have convinced me to support programs which will put more money at the disposal of the poor to assure a decent living for them.

Nearly every witness that appeared this week criticized the grossly ineffective and unmanageable system that today provides welfare payments for the poor.

At the same time, we all know about the Family Assistance Plan, under review by the Ways and Means Committee. That plan proposes to place a floor under the amount of support payments made to the needy. According to some, however, that floor seems more like a basement. For even when one must stand on it, there is still a long way up to the level that begins to guarantee a decent living.

Mr. Chairman, I am deeply concerned about the problems of low income families. You have forthrightly seen the need to explore how we can close the income gap, but there are pitiably few who are seriously committed to do that. To live at just a minimum level of health and decency, the Labor Department has estimated that no less than $5500 is needed to sustain a family of four through one year.

Reverend Jesse Jackson told this Committee, it seems terribly inconsistent that one federal agency—The Department of Labor—reports to the President its assessment of minimum survival costs. Yet, the Congress devotes its energies to the study of a bill that guarantees $1600 to do for a family of four what the Labor Department has said will require three and a half times as many dollars. It is such inconsistencies as this, that make Reverend Jackson and others stand in awesome disbelief of the legislative process.

For, he wonders whether the Congress would devote as much consideration to a plan calling for just one third of the munitions requested by the Pentagon to fight the battle in Vietnam. Our legislative record on defense matters is, of course, quite different from that on domestic affairs. Usually, there is an abundance of resources authorized for Defense, while domestic concerns are habitually short changed.

There is no merit in a plan aimed at helping the hungry and the poor that also fails to offer adequate nourishment to do the job. We all know that $1600 will not do the job that Labor Department estimates explain will require $5500.

In a recent study of standard family budgets completed by the Massachusetts Department of Public Welfare there appears specific detailed living costs for a four member family living in Boston. Those estimates based on a 1967 survey by the U.S. Department of Labor compile three levels of living standards for Boston families. The lower standard was $6251. The lower standard average in the urban U.S. as of Spring 1967 was $5915. Since that period, there has been an 11.2% consumer price index increase for Boston as of July 1969. Based on these official figures, Boston's 19,000 AFDC families are completely unable to obtain an adequate living standard because the average family payment up there is $3200 per year.

Poor families must hopelessly wonder why we are giving such serious concern to the $1600 level of payments proposed by the Administration, when at the same time, official figures document a need for substantially more.

Moreover, we are all convinced that one of the most depressing and demeaning features of the present welfare system is its failure to maintain personal dignity. In fact, the system operates to stigmatize and castigate recipients and potential recipients. In some states, local welfare officials actively discourage people from applying for assistance, even though such policies conflict extensively with the expressed purposes of state policy and federal requirements. Many state and local officials fail to sustain the rule of law in the administration of assistance programs. Justification for such arbitrary and capricious judgment is often related to the belief that "handouts" stifle initiative and operate to discourage interest in work. Indeed, even through the highest councils of our government, the concern for retaining a lure or an incentive to work remains in the Administration's design of the family Assistance Plan.

Thus, that plan makes the acceptance of suitable work or training, a condition for receiving benefit payments. That kind of compulsion appears to me to be unwarranted. To compel people to accept a job is to deny them the choices and selections that we claim is the essence of the American dream. It can mean a return to the oppression of slavery and involuntary servitude. While our present system fails to be manageable or effective, the proposed system promises to become oppressive and strangling.

I am dismayed by those compulsory work features because their inclusion is weakly based on the assumption that the poor don't want to work. This idea persists despite evidence from current programs that the poor will accept jobs if they are available. In fact, 22 million people live in families with at least one full time worker. But, the wages earned by these families are substandard.

We do not need a program that compels people to accept poor paying or nonexistent jobs. What we do need are substantial commitments to provide adequate jobs that pay federally established minimum wages. Public service employment and expansion of construction and industrial job opportunities are required to make the poor self-sufficient.

Robert Harris of the President's Income Maintenance Commission told this Committee that more jobs coupled with a guaranteed income will be the most effective way to end the deprivation that poor families are forced to suffer.

Mr. Chairman, I am particularly gratified that you are looking at the income gap in your assessment of ways to end hunger in America. Every witness that leaves for this Committee a well reasoned assessment of poor nutritional status as a concomitant of low income has added to the cry for substantial increases in the personal income of poor families.

I think our history in social affairs has established that in-kind services do not give the poor the substance needed for them to become non-poor. I think it is well past the time that we in the Congress should make a forceful stand committing our national resources to the end of hunger and poverty in America. Our leadership on this one issue alone can make it possible for all Americans to benefit from our nation's bountiful affluence. I thank you, Mr. Chairman, for this opportunity to express my concern for the need to be realistic in resolving this national crisis.

THE UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., March 16, 1970.

Hon. GEORGE MCGOVERN,
Chairman, Select Committee on Nutrition and Human Needs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have enclosed a status report on the National Nutrition Survey which you requested during my appearance before the committee on March 6. The status report describes the current survey activity in each of the areas involved in the survey.

If I can provide further information for the committee, please let me know.

Sincerely yours,

JOHN G. VENEMAN,
Under Secretary.

Enclosure.

STATUS REPORT ON THE 10-STATE NATIONAL NUTRITION SURVEY

1. *Texas.*—All of the basic data have been edited, and final tables and evaluation have been completed. A final report is being prepared for the State Health Department by the University of Texas, Galveston contractor for the survey.

2. *Louisiana.*—The basic data have been edited, with the exception of the information on three biochemical determinations which were received in February, 1970. Complete editing will be complete by March 10, 1970. Final tables and evaluation have been complete for the majority of the data, and will be complete for all material by April 1, 1970.

3. *New York, Upstate.*—The complete data have been received, edited, and corrections for errors received from the state. A complete and correct data source will be ready by March 10, 1970. Final tables will be completed for all basic data by April 1, 1970.

New York City. The field study will be complete on March 21, 1970. Laboratory determinations will be completed by approximately April 15, 1970. Data from the first fifty percent of the survey have been put on punch cards and have been received for editing in order to identify errors. Final data for editing are to be received by April 25, 1970.

4. *Michigan.*—All of the basic data, on punch cards, have been received, error lists completed and corrections for errors received from the state. A correct data source is being prepared by the data processing unit. This will be complete by March 9, 1970, and final tables will be prepared for most information by April 1, 1970.

The evaluation of bone growth by analysis of X-ray has been completed for Michigan.

5. *Kentucky.*—All data have been received, edited, and errors are being corrected. Final tables are being prepared and will be complete by April 1, 1970.

6. *West Virginia.*—All of basic data have been received, the edit program completed, and error lists returned to state. No corrected material has been returned.

7. *Washington.*—No data have been received from the state. Biochemical determination will be complete by April 1, 1970, and data should be received by April 15, 1970 for editing.

8. *California.*—Approximately ten percent of the data have been received by HSMHA, edited, and error listings returned to the state. Approximately twenty-five percent is to be sent in by March 15, 1970 for editing. All data are to be sent by HEW by May 1, 1970.

9. *South Carolina.*—The field work will be completed on March 24, 1970. Approximately thirty percent of the data have been received and are being edited. It is anticipated that all of the data will be received by April 30, 1970. Completely corrected data should be available for preparing the final report by June 1, 1970.

10. *Massachusetts.*—The field work will be complete on April 20, 1970. No data have been received, but approximately twenty-five percent of the data are to be sent by March 20, 1970. Editing and corrections will be completed by approximately June 15, 1970.

TABLE I.a.—*Earned income to lift family with one or two parents employed and not receiving State supplement to bring income of family to the appropriate poverty level*

Family size 4:	
Poverty level	$3,720.00
FAP level	1,600.00
Weekly earnings (about $1.69 per hour for 40 hour week)	67.70
Monthly earnings	293.33
Annual earnings	3,520.00

3520
−720

2800
½(2800)=1400
1600−1400=200

Annual FAP	$200.00	Monthly FAP	16.67
Annual income	3,520.00	Monthly earned income	293.33
Annual total income	3,720.00	Monthly total income	310.00

Family size 8:	
Poverty level	$6,120.00
FAP level	2,800.00
Weekly earnings (about $2.85 per hour for 40 hour week)	113.85
Monthly earnings	493.33
Annual earnings	5,920.00

5920
−720

5200
½(5200)=2600
2800−2600=$200

Annual FAP	$200.00	Monthly FAP	16.67
Annual earned income	5,920.00	Monthly earned income	493.33
Annual total income	6,120.00	Total monthly income	510.00

TABLE I.b.1.—NONWORKING FAMILY OF 4 RECEIVING FAMILY ASSISTANCE PLAN AND THE AMOUNT OF STATE SUPPLEMENT

State	Annual payment	FAP	Annual State supplement
Alabama	$972	$1,600	(1)
Alaska	2,220	1,600	$620
Arizona	2,124	1,600	524
Arkansas	1,140	1,600	(1)
California	2,652	1,600	1,052
Colorado	2,292	1,600	692
Connecticut	3,524	1,600	1,924
Delaware	1,788	1,600	188
District of Columbia	2,928	1,600	1,328
Florida	1,608	1,600	8
Georgia	1,596	1,600	(1)
Hawaii	3,103	1,600	1,503
Idaho	2,880	1,600	1,280
Illinois	3,228	1,600	1,628
Indiana	1,800	1,600	200
Iowa	2,928	1,600	1,328
Kansas	2,844	1,600	1,244
Kentucky	2,244	1,600	644
Louisiana	1,248	1,600	(1)
Maine	2,016	1,600	416
Maryland	2,196	1,600	596
Massachusetts	3,684	1,600	2,084
Michigan	3,156	1,600	1,556
Minnesota	3,468	1,600	1,868
Mississippi	828	1,600	(1)

TABLE I-b.1.—NONWORKING FAMILY OF 4 RECEIVING FAMILY ASSISTANCE PLAN AND THE AMOUNT OF STATE SUPPLEMENT—Continued

State	Annual payment	FAP	Annual State supplement
Missouri	1,560	1,600	(1)
Montana	2,436	1,600	836
Nebraska	2,400	1,600	800
Nevada	1,724	1,600	124
New Hampshire	3,084	1,600	1,484
New Jersey	4,164	1,600	2,564
New Mexico	2,196	1,600	596
New York	3,756	1,600	2,156
North Carolina	1,608	1,600	8
North Dakota	3,132	1,600	1,532
Ohio	2,316	1,600	716
Oklahoma	2,270	1,600	670
Oregon	2,628	1,600	1,028
Pennsylvania	3,312	1,600	1,712
Rhode Island	2,664	1,600	1,064
South Carolina	1,140	1,600	(1)
South Dakota	3,084	1,600	1,484
Tennessee	1,548	1,600	(1)
Texas	2,148	1,600	548
Utah	2,328	1,600	728
Vermont	3,192	1,600	1,592
Virginia	2,856	1,600	1,256
Washington	3,648	1,600	2,048
West Virginia	1,656	1,600	56
Wisconsin	2,376	1,600	776
Wyoming	2,700	1,600	1,100

[1] No supplement.

TABLE I-b.2.—NONWORKING FAMILY OF 8 RECEIVING FAMILY ASSISTANCE PLAN AND THE AMOUNT OF THE STATE SUPPLEMENT

State	Annual payment	FAP	Annual State supplement
Alabama	$1,572	$2,800	None
Alaska	4,140	2,800	$1,340
Arizona	3,228	2,800	428
Arkansas	1,620	2,800	None
California	4,260	2,800	1,460
Colorado	3,708	2,800	908
Connecticut	4,920	2,800	2,120
Delaware	2,292	2,800	None
District of Columbia	4,752	2,800	1,952
Florida	2,532	2,800	None
Georgia	1,968	2,800	None
Hawaii	5,184	2,800	2,384
Idaho	4,224	2,800	1,424
Illinois	5,280	2,800	2,480
Indiana	3,000	2,800	200
Iowa	4,704	2,800	1,904
Kansas	4,248	2,800	1,448
Kentucky	2,823	2,800	23
Louisiana	2,400	2,800	None
Maine	3,600	2,800	800
Maryland	3,456	2,800	656
Massachusetts	5,316	2,800	2,516
Michigan	4,929	2,800	2,129
Minnesota	$5,100	$2,800	$2,300
Mississippi	1,296	2,800	(1)
Missouri	2,760	2,800	(1)
Montana	3,984	2,800	1,184
Nebraska	3,480	2,800	680
Nevada	3,144	2,800	344
New Hampshire	4,320	2,800	1,520
New Jersey	6,216	2,800	3,416
New Mexico	2,400	2,800	(1)
New York	6,444	2,800	3,644
North Carolina	2,568	2,800	(1)
North Dakota	4,860	2,800	2,060
Ohio	3,540	2,800	740
Oklahoma	3,384	2,800	584
Oregon	4,476	2,800	1,676
Pennsylvania	5,100	2,800	2,300
Rhode Island	4,680	2,800	1,880

TABLE I.b.2.—NONWORKING FAMILY OF 8 RECEIVING FAMILY ASSISTANCE PLAN AND THE AMOUNT OF THE STATE SUPPLEMENT—Continued

State	Annual payment	FAP	Annual State supplement
South Carolina	2,160	2,800	(1)
South Dakota	4,932	2,800	2,132
Tennessee	1,932	2,800	(1)
Texas	2,856	2,800	56
Utah	3,264	2,800	464
Vermont	4,020	2,800	1,224
Virginia	3,360	2,800	560
Washington	4,200	2,800	1,400
West Virginia	2,184		(1)
Wisconsin	4,344	2,800	1,544
Wyoming	2,760	2,800	(1)

[1] No supplement.

TABLE I.b.3.—FAMILY SIZE OF 4 WITH SPECIFIED EARNINGS AND AMOUNT OF FAP

Earnings	$500	$1,000	$2,000	$3,000	$4,000
FAP	1,600	1,460	960	460	
Total income	2,100	2,460	2,960	3,460	4,000

FAMILY SIZE OF 8 WITH SPECIFIED EARNINGS AND AMOUNT OF FAP

Earnings	$500	$1,000	$2,000	$3,000	$4,000
FAP	2,800	2,660	2,160	1,660	1,160
Total income	3,300	3,660	4,160	4,660	5,160

TABLE I.b.4.—FAMILIES OF 4 WITH 1 EMPLOYED PARENT RECEIVING FAP AND STATE SUPPLEMENT

States	Earnings are $500		Earnings are $1,000		Earnings are $2,000		Earnings are $3,000		Earnings are $4,000	
	State supplement	FAP	State supplement	FAP	State supplement	FAP	State supplement	FAP	State supplement	FAP
Alabama		$1,600		$1,460		$910		$460		None.
Alaska	$620	1,600	$573	1,460	$456	910	$239	460		Do.
Arizona	524	1,600	477	1,460	360	910	143	460		Do.
Arkansas		1,600		1,460		910		460		Do.
California	1,052	1,600	1,005	1,460	888	910	671	460	$464	Do.
Colorado	692	1,600	645	1,460	528	910	311	460	104	Do.
Connecticut	1,924	1,600	1,877	1,460	1,760	910	1,543	460	1,335	Do.
Delaware	188	1,600	141	1,460	24	910		460		Do.
District of Columbia	1,328	1,600	1,281	1,460	1,161	910	947	460	740	Do.
Florida	8	1,600		1,460		910		460		Do.
Georgia		1,600		1,460		910		460		Do.
Hawaii	1,503	1,600	1,456	1,460	1,339	910	1,122	460	915	Do.
Idaho	1,280	1,600	1,233	1,460	1,116	910	899	460	692	Do.
Illinois	1,628	1,600	1,581	1,460	1,464	910	1,247	460	1,040	Do.
Indiana	200	1,600	153	1,460	36	910		460		Do.
Iowa	1,328	1,600	1,281	1,460	1,164	910	947	460	740	Do.
Kansas	1,244	1,600	1,197	1,460	1,080	910	863	460	656	Do.
Kentucky	644	1,600	597	1,460	480	910	263	460	56	Do.
Louisiana		1,600		1,460		910		460		Do.
Maine	416	1,600	369	1,460	352	910	35	460		Do.
Maryland	596	1,600	549	1,460	432	910	215	460	8	Do.
Massachusetts	2,084	1,600	2,037	1,460	1,920	910	1,703	460	1,496	Do.
Michigan	1,556	1,600	1,509	1,460	1,392	910	1,175	460	968	Do.
Minnesota	1,868	1,600	1,821	1,460	1,704	910	1,487	460	1,280	None.
Mississippi		1,600		1,460		910		460		Do.
Missouri		1,600		1,460		910		460		Do.
Montana	836	1,600	789	1,460	672	910	455	460	248	Do.
Nebraska	800	1,600	753	1,460	636	910	419	460	212	Do.
Nevada	124	1,600	77	1,460		910		460		Do.
New Hampshire	1,484	1,600	1,437	1,460	1,320	910	1,103	460	896	Do.
New Mexico	596	1,600	549	1,460	432	910	215	460	8	Do.
New Jersey	2,564	1,600	2,517	1,460	2,400	910	2,183	460	1,976	Do.
New York	2,156	1,600	2,109	1,460	1,992	910	1,775	460	1,568	Do.
North Carolina	8	1,600		1,460		910		460		Do.
North Dakota	1,532	1,600	1,485	1,460	1,368	910	1,151	460	944	Do.
Ohio	716	1,600	669	1,460	552	910	335	460	128	Do.

TABLE 1.b.4.—FAMILIES OF 4 WITH 1 EMPLOYED PARENT RECEIVING FAP AND STATE SUPPLEMENT—Continued

States	Earnings are $500		Earnings are $1,000		Earnings are $2,000		Earnings are $3,000		Earnings are $4,000	
	State supplement	FAP	State supplement	FAP	State supplement	FAP	State supplement	FAP	State supplement	FAP
Oklahoma	620	1,600	573	1,460	456	910	239	460	32	Do.
Oregon	1,028	1,600	981	1,460	864	910	647	460	440	Do.
Pennsylvania	1,712	1,600	1,665	1,460	1,548	910	1,331	460	1,124	Do.
Rhode Island	1,064	1,600	1,017	1,460	900	910	683	460	476	Do.
South Carolina		1,600		1,460		910		460		Do.
South Dakota	1,484	1,600	1,437	1,460	1,320	910	1,103	460	896	Do.
Tennessee		1,600		1,460		910		460		Do.
Texas	548	1,600	501	1,460	384	910	167	460		Do.
Utah	728	1,600	681	1,460	564	910	347	460	140	Do.
Vermont	1,592	1,600	1,545	1,460	1,428	910	1,211	460	1,004	Do.
Virginia	1,256	1,600	1,209	1,460	1,092	910	875	460	668	Do.
Washington	2,048	1,600	2,001	1,460	1,884	910	1,667	460	1,460	Do.
West Virginia	56	1,600	9	1,460		910		460		Do.
Wisconsin	776	1,600	729	1,460	612	910	395	460	188	Do.
Wyoming	1,100	1,600	1,053	1,460	936	910	719	460	512	Do.

I.c. EARNED INCOME NECESSARY FOR A FAMILY OF 4 UNDER FAP TO EQUAL TOTAL INCOME OF FAP AND STATE SUPPLEMENT WITH NO EARNER

State	No wage earner total income of FAP and State supplement	Earned income necessary	FAP	Total income
Alabama	$1,600	$720		
Alaska	2,220	620	$1,600	$2,220
Arizona	2,124	524	1,600	2,124
Arkansas	1,600	(1)		
California	2,652	1,384	1,268	2,652
Colorado	2,292	692	1,600	2,292
Connecticut	3,524	3,128	396	3,524
Delaware	1,788	188	1,600	1,788
District of Columbia	2,928	1,936	992	2,928
Florida	1,608	8	1,600	1,608
Georgia	1,600	(1)		
Hawaii	3,103	2,286	817	3,103
Idaho	2,880	1,840	1,040	2,880
Illinois	3,228	2,536	692	3,228
Indiana	1,800	200	1,600	1,800
Iowa	2,928	1,936	992	2,928
Kansas	2,844	1,768	1,076	2,844
Kentucky	2,244	644	1,600	2,244
Louisiana	1,600	(1)		
Maine	2,016	416	1,600	2,016
Maryland	2,196	596	1,600	2,196
Massachusetts	3,684	3,448	236	3,684
Michigan	3,156	2,392	764	3,156
Minnesota	3,468	3,016	452	3,468
Mississippi	1,600	(1)		
Missouri	1,600	(1)		
Montana	2,436	952	1,484	2,436
Nebraska	2,400	880	1,520	2,400
Nevada	1,724	124	1,600	1,724
New Hampshire	3,084	2,248	836	3,084
New Jersey	4,164	[2] 4,164		
New Mexico	2,196	596	1,600	2,196
New York	3,756	3,592	200	3,756
North Carolina	1,608	8	1,600	1,608
North Dakota	3,132	2,344	788	3,132
Ohio	2,316	716	1,600	2,316
Oklahoma	2,220	620	1,600	2,220
Oregon	2,628	1,336	1,292	2,628
Pennsylvania	3,312	2,704	608	3,312
Rhode Island	2,664	1,408	1,256	2,664
South Carolina	1,600	(1)		
South Dakota	3,084	2,248	836	3,084
Tennessee	1,600	(1)		
Texas	2,148	548	1,600	2,148
Utah	2,328	736	1,592	2,328
Vermont	3,192	2,464	728	3,192
Virginia	2,856	1,792	1,064	2,856
Washington	3,648	3,376	272	3,648
West Virginia	1,656	56	1,600	1,656
Wisconsin	2,376	832	1,544	2,376
Wyoming	2,700	1,480	1,220	2,700

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[1] In the States with payments of less than $1,600, there is no supplemental.

[2] FAP phases out at an annual income of $3,920. Family earning $3,848 would receive an annual FAP payment of $3.

II.a.—PERCENT OF POVERTY THRESHHOLD REPRESENTED BY FAP OR FAP AND STATE SUPPLEMENT BY STATE

[In percent]

State	4 Person family	8 Person family
Alabama	43	46
Alaska	60	68
Arizona	57	53
Arkansas	43	46
California	71	70
Colorado	61	61
Connecticut	95	80
Delaware	48	46
District of Col.	79	74
Florida	43	46
Georgia	43	46
Hawaii	83	85
Idaho	77	69
Illinois	87	87
Indiana	48	49
Iowa	79	77
Kansas	76	69
Kentucky	60	46
Louisiana	43	46
Maine	54	59
Maryland	59	56
Massachusetts	99	87
Michigan	85	80
Minnesota	93	83
Mississippi	43	46
Missouri	43	46
Montana	65	65
Nebraska	65	55
Nevada	46	17
New Hampshire	83	71
New Jersey	112	102
New Mexico	59	46
New York	101	105
North Carolina	43	46
North Dakota	84	79
Ohio	62	58
Oklahoma	60	55
Oregon	71	73
Pennsylvania	89	83
Rhode Island	72	76
South Carolina	43	46
South Dakota	83	81
Tennessee	43	46
Texas	58	46
Utah	63	53
Vermont	86	66
Virginia	77	55
Washington	98	69
West Virginia	45	46
Wisconsin	64	71
Wyoming	73	46

Select Committee on Nutrition and Human Needs, U.S. Senate:

HUMAN RESOURCES ADMINISTRATION,
New York, N.Y., May 15, 1970.

All cases assumed included in State charges through 1967 were listed. Since that time, only approved State charges were listed.

Our best estimates concerning welfare recipients who were resident one year in New York City constitute the following percentages of the total in November of every year.

	1965	1966	1967	1968	1969
Total P.A. recipients	521,036	601,501	775,795	960,719	1,033,777
State charges	11,694	19,498	28,791	9,600	10,300
As percent of all PA recipients in city	2.2	3.2	3.7	1.0	1.0

I hope this helps.
Sincerely,

MITCHELL I. GINSBERG,
Administrator.